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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SOFTWARE

Routes to improve business decisions

Section III

Newspaper of the Year

Thursday March 19 1992

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World News

Polls split as main UK parties spell out policies

Britain's two main political parties published their policy documents for the April 9 election as opinion polls gave conflicting signals. The latest poll showed the Conservatives with a two-point lead over Labour, contrasting with two surveys on Wednesday showing Labour five points ahead. Labour's statement of plans to take control of the privatised water industry and of the national electricity grid brought sharp falls in shares of water and electricity companies. Election 1992, Pages 5-13; Editorial Comment, Page 18; Economic Viewpoint and Letters, Page 19; Lex, Page 20; London stock market, Page 35; Currencies, Page 42.

Bush and Clinton win
President George Bush and Democratic governor Bill Clinton of Arkansas each strengthened their chances of winning the November presidential election with convincing victories in the Illinois and Michigan primaries. Page 20; Analysis, Page 6.

Bosnia 'breakthrough'
The leaders of the Yugoslav republic of Bosnia-Herzegovina claimed a breakthrough when they agreed in principle during European Community-sponsored talks to an independent state divided into three separate areas along ethnic and geographic lines. Page 20.

Hopes for Gatt
Brussels expressed satisfaction that Chancellor Helmut Kohl of Germany would discuss the EC-US farm dispute with President George Bush this weekend. The rift has threatened to stall trade talks under the General Agreement on Tariffs and Trade. Page 4.

Embassy blast claim
Islamic Jihad, a Shia Muslim Lebanese group close to Iran, claimed responsibility for the bombing attack on the Israeli embassy in Buenos Aires in which 11 people died. Page 7.

Afghan peace plan
Afghan president Najibullah offered to hand power over to an interim government proposed by the United Nations as part of a plan to end the 13-year-old civil war.

Baudouin recovering
King Baudouin of Belgium, 90, was recovering after what officials described as a completely successful heart operation in Paris.

German 'crack' seizure
German police reported their first significant seizure of "crack", when they seized 2.3 kilograms of the cocaine-based drug in a flat in the Bavarian Alps.

Ukraine N-bombs pledge
Ukraine has told Nato officials it will abide by a previous commitment to move all tactical nuclear weapons to Russia.

Sikh attack kills 18
Sikh militants killed 18 Hindus when they sprayed a busy bazaar with gunfire in Ludhiana, the second such attack in the Punjab industrial city in four days.

World Cup cricket
Zimbabwe won their first match in the cricket World Cup when they scored 154 all out against the favourites England (155 all out). Pakistan (167-3) beat New Zealand (165 all out) and Australia (216-6) defeated West Indies (159 all out). New Zealand play Pakistan and England will face South Africa in the semi-finals.

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Business Summary

Schweppes to pay \$325m for Mexican mineral water company

Cadbury Schweppes, the confectionery and soft drinks maker, is buying Mexico's leading bottler and distributor of mineral water for \$325m. It is one of the largest acquisitions of a Mexican business by an overseas company. To fund three-quarters of the purchase of Aguas Minerales Ryan Fomento Economico Mexicano, Mexico's largest beverage business, Cadbury Schweppes is raising \$145m in a share placing that will expand its equity by about 5 per cent. The issue is priced at 45p a share, compared with yesterday's closing of 43p, down 10p. Page 21; Lex, Page 20.

LLOYDS Bank is furious with Midland Bank following its rejection of a takeover proposal after two months of negotiations. On Tuesday, Midland announced it had agreed to be bought by Hongkong and Shanghai Banking Corporation in a deal which is likely to create a transatlantic bank with a market value of \$200 (\$14bn). Page 21.

BTCL, British industrial conglomerate, is to appeal against the European Commission's decision to impose a £25m (£6.25m) fine on its subsidiary Dunlop Siazenger International for hampering competitive exports of its tennis and squash balls. Page 20.

MC DONNELL Douglas, US aerospace and defence group, hopes to sell up to 49 per cent of its Douglas commercial aircraft subsidiary to Taiwan Aerospace and other potential equity investors by the end of this year. Page 21.

FRANCE's controversial plans to create a giant electronics to nuclear energy conglomerate are getting bogged down. Page 20.

PECHINEY, French state-controlled aluminium and packaging group, is to buy the metal interests of its international arm, which is listed on the Paris bourse. Page 21.

RAT Industries, UK tobacco and financial services group, announced an 8 per cent increase in its annual dividend although the payment will not be covered by earnings per share. Page 22; Lex, Page 20.

HENDERSON Land Development, one of Hong Kong's leading residential property developers, announced a 12.4 per cent drop in profit for the six months to December. Page 23.

ARAB Banking Corporation, the biggest international Arab bank, posted a \$90m pre-tax profit in 1991 compared with a pre-tax loss of \$47m in the previous year. Page 23.

MICROSOFT, US computer company, said it would launch a new version of its widely used Windows personal computer program. Page 24.

BOWTHORPE Holdings, UK electrical and electronic components maker, announced an 11 per cent fall in profits as the impact from recession outweighed a strong performance in Germany. Page 27.

BAYER, German chemicals group, said operating profits in the first two months of this year were slightly below expectations, and it expected them to end close to last year's DM3.13bn (£1.93bn). Page 22.

ASEA Brown Boveri, Europe's biggest electrical engineering group, announced a 2 per cent improvement, to \$1.15bn (£550m), in 1991 pre-tax profits after financial items. Page 23.

MOBIL, US oil and gas group, announced plans to cut its 1992 capital expenditure appropriations by \$1bn (£570m) because of its concern about the business environment in the energy sector. Page 24.

PLATINUM consumption by the automotive industry is set to rise by 55 per cent to about 2.4m tonnes between 1991 and 1995. Page 30; Bush to act over car pollution; Page 7.

Referendum win could herald multiracial government in months

South Africa votes YES

By Patti Waldmeir in Cape Town and Michael Holman in Johannesburg

PRESIDENT F.W. de Klerk yesterday promised to change the face of South Africa as he celebrated the white electorate's overwhelming endorsement of his reform policies. "Today we closed the book on apartheid," President de Klerk told the enthusiastic crowd outside his Cape Town office.

In what is one of the most momentous decisions in their 400-year history, nearly 70 per cent of the white voters in Tuesday's referendum voted for an end to minority rule. Mr de Klerk captured the spirit of a remarkable day for South Africa when he told the country: "It doesn't often happen that in one generation a nation gets the opportunity to rise above itself. The white electorate has risen above itself in this referendum."

The mandate, a personal triumph for Mr de Klerk, who staked his political future on the outcome, could lead to the installation of an interim multiracial government within months.

The outcome marked "a fundamental turning point" in South Africa's history, said an exuberant Mr de Klerk. "Today is the real birthday of the real, new South African nation... let us use this magnificent result as a great impetus for what we have to do."

"We have changed, and we will change the face of South Africa," said Mr de Klerk. The South African president had staked his future on the outcome of the poll, called in the wake of the government's defeat in last month's Poles-troom by-election.

The prospect of a rightwing government trying to reintroduce apartheid and reviving international hostility clearly galvanised the 3.3m white electorate into an 86 per cent turnout.

The future of the rightwing Conservative Party is now uncertain. Some members may pursue their claim for a white homeland at the Convention for a Democratic South Africa (Codesa), the forum for constitutional talks.

Others may echo the defiance of the CP leader, Dr Andries Treurnicht. "I will never enter talks where I have to beg for my freedom from Nelson Mandela," Dr Treurnicht said yesterday. "The struggle for freedom and survival is now continuing with even greater earnestness."

Mr Mandela, president of the African National Congress (ANC), described the outcome as "a source of encouragement to all in South Africa" — but



South African president F.W. de Klerk, surrounded by his cabinet, celebrates the government's referendum victory

continued to insist that sanctions should remain until an interim government was in place.

The international community reacted with unanimous warmth to the outcome of the referendum. Mr John Major, the British prime minister, said "the result would never have been achieved without the courage and leadership shown by President de Klerk."

US president George Bush welcomed Mr de Klerk's endorsement and said he believed all races should join in building a new democracy.

The results "clearly show an overwhelming vote in favour of continuing the reform process in that country," Mr Martin Fitzwater, the White House spokesman said.

"White South Africans have voted yes for a just and democratic future and have said no to apartheid," he said. President Francois Mitterrand said France rejoiced at the massive yes vote while Mr Hans-Dietrich Genscher, the German foreign minister, responded warmly to the referendum result.

Chief Emeke Anyaoku, Commonwealth secretary-general, said the vote was "a vote of confidence in a non-racial future."

The reform, already well underway, will be given fresh impetus from yesterday's vote. The ruling National Party and 18 other political organisations, including the ANC, have already agreed on a framework for a transitional administration.

The agreement, reached at Codesa, the country's forum for negotiations, provides for a multiracial power sharing administration which would draw up the country's post-apartheid constitution. But ANC officials, deeply concerned by the continuing violence in black townships, struck a cautious note. The 30 per cent of whites who cast their vote for the rightwing Conservative Party and its extremist allies represent a potentially destabilising factor.

With the last constitutional opportunity to prevent political change now closed, there are fears that some supporters of apartheid could turn to violence.

The audience thundered its approval when he declared: "Today we have closed the book on apartheid."

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The gamble pays off, Page 18

Birthday gift for an unlikely reformer

MR F.W. de Klerk never misses a chance to utter the grandiloquent phrase, the neat and catchy sound-bite which tells his story so well, at home and abroad, writes Patti Waldmeir in Cape Town.

He was in rare form yesterday when the news came through that whites had risen above their twisted past to endorse his vision.

Flanked by his cabinet on the steps of Turnhuy, the elegant Cape Dutch mansion which is his office in Cape Town, Mr de Klerk beamed at scores of white civil servants gathered to hear his victory address. "Today is the birthday of the new South African nation," he told them, to a roar of applause. It was his birthday — his 60th — and this was the best possible present.

Cynics might point out that his audience never found it necessary to challenge apartheid when it was government policy; and they did not demur yesterday, when he described the apartheid experiment as a "quest for justice" which had its origins in idealism.

But nobody was going to gibe with him yesterday; he had dragged whites into a multiracial future from which they could no longer retreat. And there was a great sense of relief that he had managed the task so successfully.

For others present like Mrs Helen Joseph, the 90-year-old anti-apartheid campaigner who has been victimised by successive National Party governments, it certainly was the end of an era. She remarked that before the referendum she had thought she would die before voting for the party which brought the world apartheid.

Japanese securities houses face big cuts in earnings

By Robert Thomson in Tokyo

LEADING Japanese securities houses yesterday sharply cut their earnings forecasts for the current year. Three of the Big Four said they would report net losses for the first time since the mid-1980s, and 10 of the top 14 predicted pre-tax losses.

The revisions show that the weakness of the Tokyo stock market and the spate of scandals over the last year have inflicted greater than expected damage on the brokers, which had predicted a second-half turnaround in their fortunes.

Nomura Securities cut its pre-tax profit forecast for the year to March 31 from ¥75bn (\$77m) to ¥45bn, well below the ¥23.5bn earned in the previous year.

Yamachi Securities, which had said that it would lose "more than ¥10bn", yesterday confessed that the pre-tax loss would be ¥34bn and the net loss would be ¥25bn.

Nikko Securities, another of the leading houses, cut its forecast pre-tax profit from ¥45bn to ¥2.5bn, down from ¥72.9bn last year, while the net loss is expected to be ¥26bn. Daiwa Securities last week forecast a net loss of ¥43bn, and said pre-tax profits would be only ¥13bn, against ¥119bn a year earlier and ¥313bn two years earlier.

All the companies said the poor results reflected the decline in commission income caused by falling market volumes and mounting book losses on their own stock holdings.

If these problems persist, a restructuring of medium and smaller brokers is a possibility, as many firms had rapidly expanded operations in the late 1980s, believing that the Tokyo market would continue to defy gravity. Firms have already cut capital spending and reduced staff intakes, and are reviewing the future of unprofitable branches.

The longer-term effects of the stock market's weakness were particularly evident among the 10 second-tier brokers, nine of which expect pre-tax losses ranging from ¥3.9bn to ¥47.5bn. The only exception is Kokusai Securities, which is strong in bond dealing, and forecast a small pre-tax profit of ¥130m.

Several brokers reported large losses related to disputes with clients over *tohoshi*, the practice in which brokers transfer loss-making securities from one client account to another to take advantage of different book-closing dates and avoid the reporting of losses.

Yamatane Securities revealed yesterday that it had agreed to pay *tohoshi* compensation totalling ¥19.4bn to two clients, a finance company and a Tokyo bookseller, and that its chairman and president would resign to take responsibility.

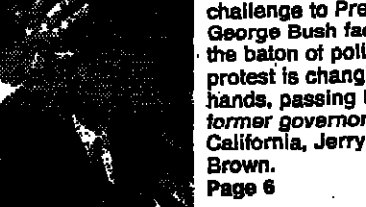
Daiwa has already announced a ¥72bn loss for similar reasons, and Cosmo Securities reported a ¥36bn settlement with a restaurant chain.

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The bet on protest votes passes to Jerry Brown

As Patrick Buchanan's challenge to President George Bush fades, the balance of political protest is changing hands, passing to the former governor of California, Jerry Brown. Page 6



MARKETS

STERLING New York lunchtime: \$1.73165 London: \$1.7325 (1.7315) DM2.6575 (2.66) FF9.7025 (9.7175) SF2.5875 (2.59) ¥226.75 (231.0) £ index 59.9 (60.2)	DOLLAR New York lunchtime: DM1.64935 FF6.9295 SF1.45335 ¥131.97 London: DM1.649 (1.652) FF6.90 (5.6126) SF1.453 (1.455) ¥132.1 (133.45) £ index 64.9 (65.0) Tokyo close: ¥133.2 US lunchtime rates Fed Funds: 3 3/4 % 3-mo Treasury Bills: 4.13 % Long Bond: 9 1/2 % yield: 8.02 %	STOCK INDICES FT-SE 100: Yield 5.02 2-47 1/2 (-25.5) FT-A All-Share: 1,185.78 (-1.04) FT-SE Eurotrack 100: 1,153.82 (+1.94) New York lunchtime: DJ Ind. Av. 3,250.45 (-5.58) S&P Comp 408.99 (-0.99) Tokyo: Nikkei 19,764.51 (-153.32) LONDON MONEY 3-month interest: 10 1/2 % (10 1/2 %) Life long gift future: Jun 94 1/2 (Jun 95 1/2)
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EUROPEAN NEWS

Bundesbank opposes money market funds

By David Waller in Frankfurt

THE Bundesbank yesterday declared broad support for the Bonn government's proposals to reform Germany's financial markets, but underlined its opposition to the introduction of money market funds.

The Bundesbank's comments, in its monthly report, follow the government's package of measures unveiled in January to strengthen Germany's position as a financial services centre. The proposals include establishing a centralised regulatory body for the securities industry, introducing tough laws against insider trading, and allowing money market funds in Germany.

The Bundesbank said it opposed the money market funds on the grounds that they would weaken its control over monetary policy.

The funds, a highly popular form of investment in the US and many European countries, give investors direct access to short-term money market instruments (such as Treasury Bills in the US) and pay a better rate of interest than short-term bank deposits.

The Bonn Finance Ministry believes that such products should be available in a modern financial services centre, but the Bundesbank maintains that they would endanger its minimum reserve policy - a central plank of its fight to constrain money supply growth and keep down inflation. Under minimum reserve policy, banks have to keep a proportion of all their deposits with the Bundesbank. These funds are then used to manage market liquidity.

"The possible shift of funds from bank deposits covered by the reserve requirement to a money market fund not covered by the requirement would lead to a reduction in the minimum reserve base and weaken the efficiency of the instrument of minimum reserves," the Bundesbank cautioned.

German banks are ambivalent about the product. They agree that money market funds ought to be available in a modern financial services centre, but fear that their costs would increase sharply if depositors moved their savings.

EC urged to harmonise corporate tax rates

By Andrew Hill in Brussels

CORPORATE tax rates in the EC should be harmonised at between 30 and 40 per cent, according to an experts' report for the European Commission which could be transformed into legislative proposals before the end of the year.

The report, to be published in full in May, calls for rapid action to eliminate differences in national corporate tax systems, which it says are hampering cross-border business investment and shareholdings.

Brussels has already proposed a number of detailed measures aimed, for example, at harmonising the tax treatment of interest payments between companies. The committee recommends an extension of some of those directives.

But attempts to go further could fall foul of EC members' reluctance to let the Commission tamper with its domestic tax rates and systems. All tax measures require unanimous approval and as one national official said yesterday: "Hell will freeze over before any of these recommendations are adopted."

Mr Onno Ruding, the former Dutch finance minister who chaired the panel of experts, admitted there were political hurdles ahead, but said he was "not too pessimistic".

Mr Christiane Scrivener, the EC tax commissioner, said she would table a paper inspired by the Ruding report in the next few weeks, but she did not specify which of the recommendations the Commission was likely to favour.

The report recommends that certain measures should be in place as early as the end of 1994. They include the removal of discriminatory differences in the way profits earned in another member state are taxed, and measures to ensure a minimum corporate tax rate of 30 per cent. A maximum rate of 40 per cent could wait until the second phase of economic and monetary union (Emu), the report says.

A number of EC countries already have corporate tax rates within the 30-40 per cent band, but France, Germany, Greece, Ireland and Italy would all have to adjust their rates.

Brussels pledge on anti-pollution

By David Buchan in Brussels

MR Carlo Ripa di Meana, the EC environment commissioner, yesterday promised the Commission would consult industry and consumers on its anti-pollution plans at an earlier stage.

Presenting the EC's fifth environmental policy goals up to the year 2000, Mr Ripa di Meana conceded the Commission had been criticised in the past for "handing down bans on on high".

He proposed a "general consultative forum" in which the Commission would systematically seek the views of all interest groups before finalising its proposals.

The commissioner said he detected signs of a "more responsible" attitude by industry to the environment.

He contrasted the "long rearguard action" that EC car makers fought a few years ago against tougher emission controls with the "very encouraging willingness by EC industrial producers and users of CFCs to phase these substances out, largely on a voluntary basis."

In the new consultative forum, industry "will have to speak out clearly" on its environmental views, Mr Ripa di Meana said.

More open consultation "will avoid the half-confidentiality on which so many misunderstandings have been based in the past", he added.



An Azerbaijani man mourns the death of his brother outside the ruins of their house in Agdam in the disputed region of Nagorno-Karabakh yesterday.

Leaders of Azerbaijan and Armenia have scrapped proposed peace talks this week, casting doubt on prospects for settling the Nagorno-Karabakh conflict, an Armenian spokesman said yesterday. President Levon Ter-Petrosyan of Armenia and acting Azeri President Yagub Mamedov had been due to meet today for a Kiev summit of leaders of the Commonwealth of Independent States.

Desertions throw struggling CIS army into disarray

By John Lloyd and Chrystia Freeland in Kiev

ANOTHER warning of disintegration in the former Soviet army was delivered yesterday by Col General Viktor Samsonov, chief-of-staff of the armed forces, now under the collective control of the Commonwealth of Independent States.

Speaking to the armed forces daily newspaper Krasnaya Zvezda, Gen Samsonov said the army was facing wide-

spread desertions and evasions of the draft in the face of rising ethnic struggles, especially in the Caucasus.

"The situation has arisen where we can no longer defend ourselves. There is no one left. There are units in which officers have to stand guard. It is shameful," he said.

Concern over rising dissatisfaction in the army has prompted the Russian govern-

ment to create a Russian Defence Ministry, charged with preparing the ground for a Russian army. However, Mr Boris Yeltsin, the Russian president, stressed yesterday that the CIS remained "an issue of geopolitical and strategic priority for Russia".

Confusion over the future of the armed forces, and their weaponry, was underlined yesterday when Mr Yeltsin said

Russia to remove curbs on energy price rises soon

By John Lloyd in Moscow

OIL AND other energy prices in Russia will soon be set free, according to Mr Vladimir Lopukhin, the Russian energy minister.

However, the date will be kept secret so that energy producers will not hold back supplies in order to charge higher prices later.

The price rises are expected soon, however, because the cost of subsidies is crippling to the Russian government under President Boris Yeltsin. In addition the income of the oil producers is insufficient to stimulate investment and greater production.

Speaking at a press conference yesterday, Mr Andrei Nechaev, the economics minister, predicted the oil rise would push up all prices by between 50 and 70 per cent. Mr Lopukhin said that oil now costs some Rb1,650 per tonne to produce - but is sold at the state price of Rb650 a tonne.

He said "the important thing here is to set prices at a level at which they could stabilise, and that they could motivate a growth in production."

However, they will not reach anything like world levels until the rouble finds a new parity against the dollar after a stabilisation programme - for which western support worth \$5bn-\$6bn is now being sought.

The energy minister is under great pressure from other former Soviet republics, especially Ukraine, to delay the oil price rise because of the economic effects it would have.

However, he stressed: "We have to raise the price to a level permitting the oil industry to execute its investment programmes" - and said that

The Russian government is finalising details of a mass privatisation programme which could place 50 per cent of the shares of Russian industry in private hands within a year, according to one of President Boris Yeltsin's closest foreign advisers, writes Robert Corzine.

Professor Jeffrey Sachs of Harvard University in the US said yesterday that foreign investors would play a key role in the sale of "dozens" of the largest enterprises in the oil, gas, telecommunications and car sectors.

Shares in thousands of other industrial enterprises would be offered to workers, management and the public through a system of individual vouchers and investment trusts, similar to those being used in privatisation programmes in Czechoslovakia, Hungary and Poland.

Ukraine was already raising prices for oil piped to a level of Rb40 to the dollar because this was the price it commanded on the world market.

"We all understand that nothing comes out of nothing, and that if Ukraine raises its prices it is a natural use of equivalent prices here," Mr Lopukhin said he favoured "deep" integration of the Soviet energy, especially oil, industries with the world economy - though he stressed that the level of the development of the Soviet oil fields, meant that it already had "enterprises of world standard" which would dictate different forms of integration from those existing in third world countries.

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El Sol shines no more

By Peter Bruce in Madrid

EL SOL, a colourful two-year-old attempt to topple El Pais from its position as Spain's biggest daily newspaper, gave up the chase yesterday and closed down, becoming the third Spanish daily to collapse in eight months.

The closure of El Sol, owned by Mr German Sanchez, a book publisher, completes a near rout of some six daily general interest newspapers launched during the economic boom of 1987 and 1988. Only two remain and one of those, the business daily La Gaceta, is struggling to stay alive.

An advertising slump is hurting most of the surviving eight daily newspapers that sell nationwide and at least two others, Diario 16 and the

second largest business paper, Cinco Dias, are understood to be up for sale or looking for new investors.

El Sol, launched with a flourish in May 1990, survived as long as it did only because its publisher began a year ago to package it with reprints of a new, short, paperback book every day. It claimed circulation of 76,000 last year but this is probably an over-estimate.

The latest round of collapses began last August when Claro, a German-Spanish joint venture to produce a Spanish copy of Bild Zeitung, collapsed after three months. Launched in the hope that Spaniards would read a sensational tabloid, it failed hopelessly to appreciate the extent to which the tradi-

tional press, though typographically conservative, is already sensationalist.

It was followed quickly by El Independiente, a newspaper critical of the government but massively over-stretched financially in order to attract big-name freelance contributors.

After all the threats El Pais, which sells nearly 400,000 copies a day and nearly 1m on Sundays, remains untouched as market leader. Only one of the new newspapers, El Mundo, now 45 per cent owned by the Italian publishers of the Corriere della Sera has succeeded. Its constant criticism of the government and investigations into official corruption have won it a daily sale of around 140,000.

Call for more aid to east Europe

By Andrew Baxter in Stockholm

POLITICAL and economic instability could worsen in eastern Europe and the Commonwealth of Independent States if western finance for urgent infrastructural investment is not increased, Mr Percy Barnevik, president of Asea Brown Boveri, warned yesterday.

At the annual results meeting of the Swiss-Swedish engineering group, Mr Barnevik urged increased western support for such projects and, especially, spending to boost nuclear power station safety. Referring to President Bush's response to the economic needs

of the former Soviet Union and eastern bloc countries, Mr Barnevik said: "My advice to Europe's politicians is: forget about America. This is a European matter." Some \$20bn was needed to correct a huge "safety deficiency" at the 60 east European nuclear stations.

Of these, the 16 oldest Chernobyl-type stations were beyond rescue: it was unlikely another 10 could be upgraded to western standards without heavy investment. For the rest, "fast, urgent safety measures" were needed. For countries dependent on nuclear power

for up to 50 per cent of their needs, such as Bulgaria, gas turbines should be made available quickly.

Estonia should receive western finance to switch from making electricity from oil shale, a "terrible way to produce it", to 15 per cent of Estonia's land surface had been destroyed in this way. The shortage of western aid is the main reason for ABB's discouraging view on short-term business prospects in eastern Europe. But Mr Barnevik remains convinced a huge long-term demand exists. ABB advance, Page 22

Russian soldiers join UN peace-keepers in Yugoslavia

Afghan veteran shocked by Vukovar

By Laura Silber in Dalj

"I NEVER saw anything like Vukovar in Afghanistan," said Colonel Aleksandr Khomchenkov, a Russian battalion commander of the United Nations peacekeeping troops, of the devastated town in eastern Croatia.

Col Khomchenkov, who is part of the first ever Russian peacekeeping mission, earlier this week arrived in Dalj, just 15 miles north of Vukovar. He says: "It is a second Stalingrad, a terrible scene." Just then a civilian officer, anxious to adhere to the strict UN code of neutrality, nervously interrupts to point out that Col. Khomchenkov's comparison refers only to the level of destruction and not to the nature of the conflict.

Major Kunal Budhatboki, of the Royal Nepalese army, a veteran of two previous peacekeeping missions in Lebanon, says

everyone was shocked by Vukovar, the town which bears grim witness to last year's three-month-long battle between Serb irregulars backed by the federal army and Croat national guards.

In Dalj, the scars of war are not as appalling as in Vukovar. The local school building which last August was littered with the corpses of Croat policemen and civilians and splattered in blood has been repaired. Here Col Khomchenkov and some 45 UN officers are billeted as part of a reconnaissance mission working to define the exact boundaries of the peacekeeping zone, set up communications and find accommodation for the 14,000 troops due to be dispatched next month to three UN protected areas in Croatia.

Major Jan Mulder, of the Royal Dutch signal corps, said: "Five years ago I never

would have said it was impossible to be in a joint force with Russians. Now there is no enemy."

All the officers appear to agree the main task is to keep the peace. Maj Mulder did not appear concerned about the distant gunshots he heard overnight.

Despite the optimistic predictions of success from the Belgian, Dutch, Russian and Nepalese officers, they are aware of perils awaiting them. A peace-keeper, who asked to remain anonymous, said he had served in Lebanon but called the situation in eastern Croatia more dangerous. He says: "In Lebanon we were welcomed by all but a small segment of the population. Here there is a great danger of being perceived as the enemy, either by the Serbs or the Croats. Then there will be no hope at all of keeping the peace."

NEWS IN BRIEF

Polish cabinet plans large spending cuts

POLAND'S government yesterday approved a controversial draft budget which would include large cuts in education, health and welfare spending in an attempt to curtail inflation, writes Christopher Bobinski in Warsaw.

The draft was presented to the cabinet by Mr Andrzej Olechowski, the finance minister who this week wrested assurances from the International Monetary Fund in Washington that the deficit of 2,685,500m (\$4.9m) written into the document was acceptable as a basis for talks on reactivating a \$1.6bn extension of loan facility. The loan facility was suspended last year when Poland failed to meet its performance criteria. The IMF also agreed to encourage western governments to help finance some of this year's deficit.

Ministers expressed dismay at having their spending plans curtailed but Mr Marek Gulgowski, the government spokesman dismissed the possibility of protest resignations and said that "the entire cabinet would stand by the budget in parliament" when it is debated next month.

Portugal warns on EC spending

Mr Amal Cavaco Silva, Portugal's prime minister, yesterday stressed the urgency of reaching agreement on a new five-year financial package for the EC and warned that negotiations with potential new Community members would have to wait until after a financial agreement is finalised, writes Patrick Blum.

Speaking to foreign journalists, the prime minister also insisted that the commitment to European social and economic cohesion and the establishment of a special cohesion fund to help the EC's poorer members catch up with the richer EC states was an indivisible part of the Maastricht treaty. "Cohesion is now a fundamental objective of the Community," he said.

Airbus subsidy talks move to US

Talks aimed at resolving the row between the US and the EC over subsidies to civil aircraft manufacturers will resume next week in Washington after a two-and-a-half day discussion ended inconclusively in Brussels yesterday, writes Andrew Hill in Brussels. Negotiations between senior EC and US trade officials this week had been billed as the last chance to do a deal on subsidies before the self-imposed deadline of March 31. At that point the US may seek a ruling from the General Agreement on Tariffs and Trade (GATT) disputes panel on the issue. An EC spokesman said yesterday there had been progress on technical issues, but added: "There are still problems of substance which are not negligible."

Finns vote to join the Twelve

Finland yesterday lodged a formal application to join the European Community only hours after its parliament voted in favour of membership. Reuters reports from Brussels. The Finnish under-secretary of state for external economic relations, Mr Veli Sundback, handed over a one-sentence letter signed by President Mauno Koivisto and the prime minister, Mr Esko Aho, to the secretary general of the EC's council of ministers.

Cossiga tours Mafia heartland

In a calculated act of defiance to the Mafia, President Francesco Cossiga yesterday toured the Sicilian heartland of Italy's organised crime, Reuters reports from Palermo. "The state can be ruthless too," he told local police officials after last Saturday's murder by Mafia hitmen of Euro-parliamentarian Salvatore Lima.

French industrial output rises

French industrial production rose by 1.9 per cent in January from December, but the output index was just 0.4 per cent higher than in January 1991, according to seasonally adjusted data from national statistics office, Insee, Reuters reports from Paris. The fall in December production compared with November was revised to 1.2 per cent from 0.9 per cent. That represented a 2.6 per cent increase over December 1990.

WORLD TRADE NEWS

EC fears Gatt obstacle to farm reforms

By David Buchanan in Brussels

BRUSSELS yesterday expressed satisfaction that the Community's system of direct subsidies to farmers will be maintained, but it also expressed concern that the EC's farm reform package will be blocked by the Gatt.

Mr. Ray MacSharry, the EC farm commissioner, said he was confident the German leader's discussions at the White House would "cover all aspects" of EC concerns about proposed Gatt farm reforms, and not just the US resistance to cereal substitute exports.

Mr. Kohl was reported to be seeking "once serious consideration" at this level is given to recognising Community concerns, he can be hopeful, he said.

Reaching EC-US contacts had produced some progress, but it was not yet sufficient.

The commissioner said he could not comment on the still-confidential Gatt panel ruling

this week, which is understood to have sided with the US in criticising the Community's system of direct subsidies to farmers. But he said: "I am satisfied that these per hectare payments will be allowed - otherwise it will not be possible to have reform accepted by the EC Council of Ministers."

After Gatt ruled in 1988 that the EC was "discriminating against imports" the EC switched payments away from intermediate soybean crushers to EC soybean growers, calculated on a per hectare basis. This form of direct support was considered a precursor to Mr. MacSharry's subsequent overall reform of the common agricultural policy (CAP). This is why Brussels is concerned lest Gatt overturn its principle.

Mr. MacSharry yesterday confirmed he was proposing a roll-over of existing farm prices for 1992-93. Proposing cuts would only distract EC ministers from the far more important goals of CAP reform and a Gatt deal, which would themselves lower prices.

Exporters keen for CIS deals find back-up lacking

Throughout the west, a strong unanimity exists - unwillingness to provide the cover needed

THE PROSPECT of doing deals in the fast-liberalising central European countries that need to make up the Soviet Union is tantalising. The reality is more sobering, and the single most critical barrier is finance: the freeing of joint-venture bank accounts, announced early in March, is the latest contributor to chronic uncertainty.

Exporters keen to do deals are anxiously awaiting agreement between the International Monetary Fund and

the Commonwealth of Independent States (CIS) on a programme to manage debt repayments, share debt responsibilities between the republics and identify sovereign guarantors.

But they would be rash to expect the IMF programme to provide the transparency and security they seek. In view of already giddy levels of exposure to possible CIS default in countries such as Germany and Italy, there can at best be a cautious and selective resumption of business.

To pinpoint good business in the chaotic atmosphere of the former Soviet Union is a perplexing matter. Trading and financial institutions have disappeared overnight. People experienced in foreign trade are on the move. Privatisation plans are creating turmoil in Russia.

Inexperienced officials in other republics are wrestling with the awesome task of filling the void left as Moscow-led institutions have been cut adrift. Raw material supplies to

factories are in jeopardy wherever they can be sold to the west for foreign exchange. Banks that can be trusted as sovereign guarantors for projects are almost totally absent outside Russia.

Even government-backed loans, such as the \$280m offered to Russian President Boris Yeltsin by UK Prime Minister John Major during a London visit in January, are blocked until the IMF has agreed a programme with the former Soviet republics.

This would have to include identification of sovereign guarantors.

Already a queue of more than 300 UK projects hopes to tap the British loan. It is clear that even the most worthy and viable of projects can expect little in the way of export credit cover. Country by country throughout the west, an uncommon unanimity exists over their unwillingness to provide export credit cover. Instead of "caveat emptor" the watchword is "caveat venditor".

FROM GERMAN CURBS TO ECGD COYNESS: FT WRITERS LOOK AT EACH COUNTRY

GERMANY: The exposure of the country's Hermes export credit insurance agency on contracts with the former Soviet Union amounts to around DM30bn (\$10.4bn). The government has imposed a ceiling of DM30bn on any further credit guarantees in the current year. This will be reviewed at the end of March.

Apart from the DM30bn in Hermes exposure, a further DM11bn is outstanding in unsecured government guaranteed credits to the former Soviet republics.

In addition, some DM32bn of export contracts have "agreement in principle" for Hermes insurance, if they are realised. A further DM70bn worth of applications for insurance is in the pipeline.

The immediate cost to the

German exchequer of the Soviet payments crisis is only DM1bn in the current year - the cost of the debt deferral scheme negotiated by the Group of Seven (G7) industrialised states. That burden is likely to increase quite rapidly if the payments crisis continues.

UNITED STATES: The Department of Agriculture has been rather more forthcoming than the Exim bank, where exposure to the risk of non-payment for contracts with the CIS is thought to be less than \$100m.

The department, committed to aiding US farm exporters, has since 1990 provided credit guarantees amounting to \$3.1bn through the Commodity Credit Corporation. It insists that no more will be forthcoming until after repayments start coming in. Another \$650m may soon be allocated.

Essentially, all the above is covered by Sace, the export credit guarantee body. Arrears at the beginning of January totalled \$500m, none of which was covered by export credit

guarantees. In addition, the Italian government has agreed L5,000bn of credit lines to cover trade between 1990-94. This would be backed by Sace, but none has been drawn down.

Separate from these credit lines is a L2,200bn facility agreed directly by the Italian Treasury in 1990. Of this, L1,200bn is to cover balance of payments needs and L1,000bn for arrears. The bulk is going to Russia.

FRANCE: The country's banks were among the fastest growing lenders to the Soviet Union from the middle-to-late

1980s but have scaled back new loans in the recent years.

Their exposure fell from FF754bn (\$5.5bn) at the end of 1988 to FF23bn by the middle of 1991, with FF7.6bn of this guaranteed by Coface, France's main export credit agency.

The guaranteed portion is political risk, backed by the state. Of the total, FF20.8bn is long-term, for seven years or more. The biggest lenders are BNP, Crédit Lyonnais, and Société Générale.

French banks are pressing the French treasury to declare the former Soviet Union a "risk country" - or countries - so that they can make tax deductions for their provisions on loans there.

France agreed a FF2bn credit line last November for the purchase of French grain. In 1990, it agreed a FF2.5bn

line, again for food purchases. There was also a FF15bn official credit line in October 1990 for food, equipment and loan refinancing.

BRITAIN: The Export Credits Guarantee Department remains coy about the level of its exposure to the former Soviet Union. Contracts at risk are thought to amount to just under £1bn. Prime Minister John Major agreed in January a new £200m credit line, but this will be blocked until the CIS agrees a programme with the IMF, and sovereign guarantors have been identified.

REPORTING BY: David Dodwell in London, William Dawkins in Paris, Nancy Dunne in Washington, Robert Graham in Rome and Quentin Peel in Bonn.

US near deal with Mexicans on tuna

By Frances Williams in Geneva

THE United States and Mexico are near agreement on arrangements to end dolphin deaths in tuna fishing nets and pave the way for a lifting of the US embargo on imports of yellowfin tuna from Mexico, Venezuela and some 20 other nations.

The embargo was condemned by a disputes panel of the General Agreement on Tariffs and Trade (Gatt) last year as contrary to international trade rules, to the fury of environmental groups in the US and elsewhere who want to use trade sanctions to enforce "green" behaviour.

Mr Jesus Seade, Mexico's ambassador to Gatt, told Gatt's governing council yesterday that the proposed multilateral

accord would involve a five-year moratorium from March 1994 on yellowfin tuna fishing using purse nets in the eastern tropical Pacific.

Mr Rufus Yerxa, US ambassador to Gatt, said the US administration was putting forward legislation to Congress that would promote an international solution to dolphin protection and end the embargo.

The Gatt panel on the US embargo, imposed on Mexico, Venezuela and about 20 countries re-exporting yellowfin tuna from these two countries, was originally requested by Mexico. It later dropped the issue in the interests of good relations with the US during talks on a North American Free Trade Agreement.

Japan finds the going hard

WINNING the world competitiveness race has not brought peace of mind to Japan, senior executives confess in a survey published today, Frances Williams reports from Geneva. While Japan's top businessmen say their country has the edge in technology development strategies and "values supporting competitiveness", they rate their quality of life below that in competitor countries and

say the political system needs shaking up.

The survey covered 3,300 top executives in 36 countries. More disparaging of their quality of life than Japanese were Turkish and Portuguese executives. The Swiss and Austrians saw their life as the best. The survey was by the Swiss-based World Economic Forum and the International Institute for Management Development in Lausanne.

Bush and Clinton wins send signal on Nafta

By Nancy Dunne in Washington, Damien Fraser in Mexico City and Robert Gibbons in Montreal

THE victories of President Bush and Governor Bill Clinton in Tuesday's Michigan and Illinois primaries have sent a signal to negotiators to push on with the North American Free Trade Agreement (Nafta). Despite protectionist rhetoric from their opponents, both candidates held firm in support of the pact, though Mr Clinton said it must be "the right kind of Nafta", with labour and environmental rules.

On Tuesday, Mr Bush spoke by phone with President Carlos Salinas de Gortari and Canada's premier Brian Mulroney. A US trade representative spokesman said the US and Mexican leaders "reaffirmed their commitment to Nafta". Mrs Carla Hills, US trade rep-

resentative, said last week the negotiations had been making remarkable progress and a preliminary text could be sent to Congress for review this year.

Mr Mulroney said "agreement in principle is possible once several matters of substance are resolved". Problems remain on cars, energy, financial services and agriculture, but the US and Mexico are near accord on a domestic-content rule they believe would set up a North American cloth-making area competitive with Asian producers. The Mexican presidency said the three leaders thought the talks were moving "at a satisfactory pace". Their teams would keep meeting to close an agreement. Top negotiators met in Washington on March 23.

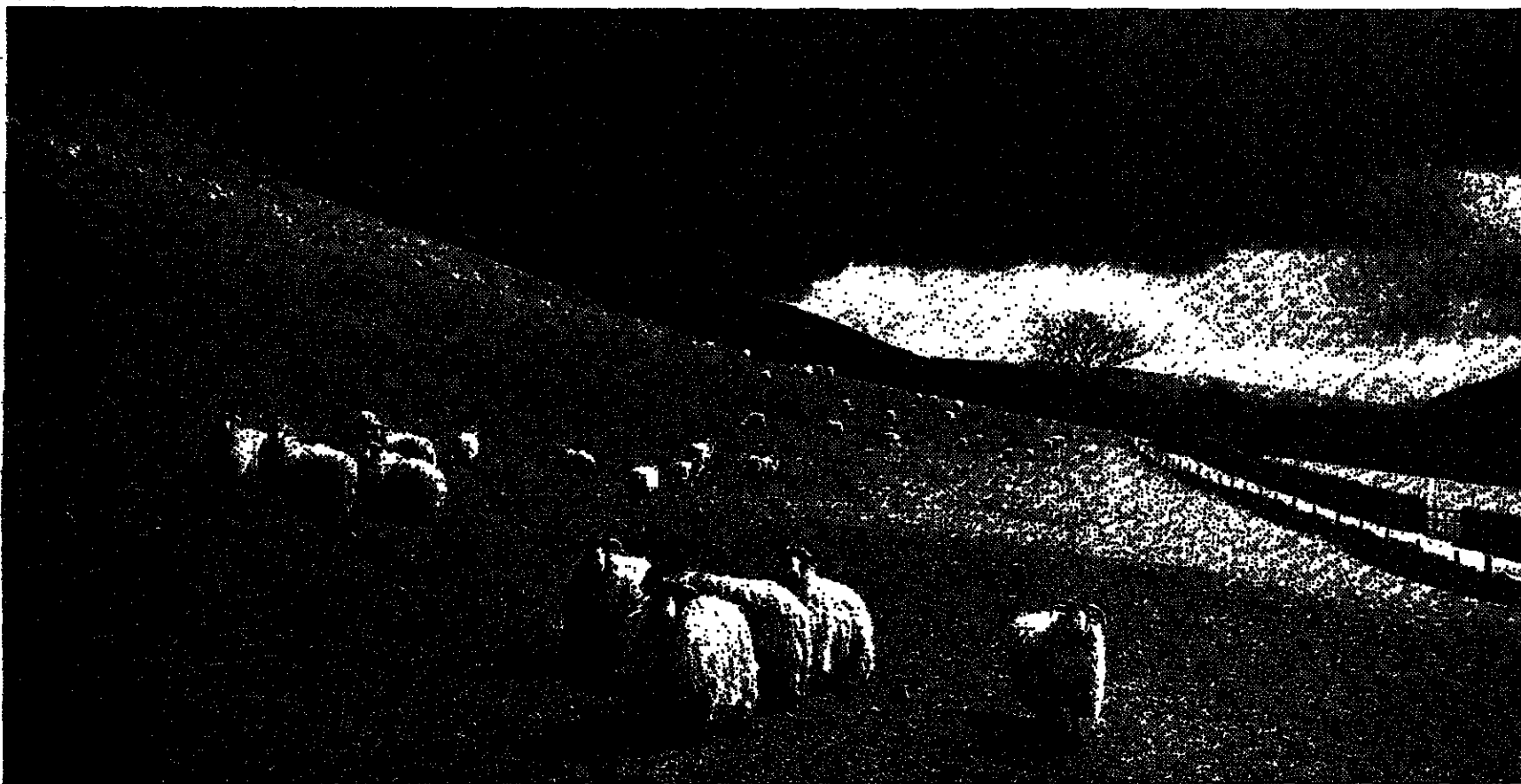
Waste dump row blows up

MEXICO has criticised the US for planning to go ahead with building nuclear and toxic waste sites on the Texas-Mexico border without appropriate consultation, Damien Fraser reports from Mexico City.

Mexico's foreign ministry said the sites would violate the 1983 La Paz environmental co-operation accord. It has told its ambassador in Washington to solicit "urgently and formally" information on the building of the waste dumps, and rejects "whatever suggestion" that the decision to build the sites is part of the exclusive jurisdiction of Texas.

The row comes just after the US and Mexico agreed a joint border environmental plan meant to herald a new spirit of ecological co-operation and defuse fears that the proposed Nafta agreement would further pollute the border area.

A Cumbrian field as seen from a Carlisle to Euston train.



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SOUTH AFRICAN REFERENDUM

Hope at last for a peace throughout southern Africa

THE almost tangible sense of relief that gripped South Africa yesterday will be felt well beyond the country's borders.

The white electorate's ringing endorsement of President F.W. de Klerk's search for a negotiated settlement has as many implications for a long suffering region as it does for South Africans themselves.

After three decades of conflict, costing hundreds of thousands of lives and causing incalculable material damage, southern Africa can hope that peace is, at long last, at hand.

Not all the trials and tribulations of the states of the region can be laid at apartheid's door. Mismanagement and incorrect policies have contributed to their predicament.

But just as the region's wars have been the single most damaging factor, so a regional peace and a

stable, friendly post-apartheid South Africa will be the single most important factor in their efforts to revive often shattered economies.

Like a malign, irascible, unpredictable giant, apartheid has dominated southern Africa, first oppressing up minority white governments, later cajoling, coercing or coddling black-ruled neighbours into submission.

From Angola on the western seaboard to Mozambique in the west, not a country escaped the tactics of Pretoria, sometimes brutal, sometimes misleadingly benign.

Mozambique, still battling rebels who not so long ago enjoyed Pretoria's support, has endured both.

As one arm of the South African government helped Mozambique's rebel Renamo movement sabotage vital equipment, such as railway rolling stock, the other arm would

be providing help in the form of locomotives from South African Railways.

"It is like that Marx brothers film," said one Mozambican official at the time. "Where one of the characters went down the street throwing bricks into shop windows, followed by his pal, a glazier who then mends them - for a price."

Pretoria's campaign, which ended when President de Klerk took office two and half years ago, had two main objectives.

The first was to drive the guerrilla wing of the African National Congress out of its bases in Angola and Mozambique, and keep them out of Botswana and Zambia, in an effort to create a

cordon sanitaire around South Africa.

The second was to ensure that South Africa controlled the region's routes to the sea, and direct the bulk of the area's trade through South African ports.

Mozambique tried in vain to resuscitate what had before independence been an important source of income - its ports and railways which served the southern African hinterland of Zimbabwe and Zambia.

Admittedly, the region provided fertile soil for South African intervention.

Support for Dr Jonas Savimbi's Unita rebels fueled Angola's civil war; but the authoritarian stance of

the avowedly Marxist MPLA cost the government much sympathy.

Southern Africa also had the misfortune to become a focus of super-power tension, and the battlefield for proxy battles - with the US providing military assistance to Unita in their war with the MPLA, backed by the Soviet Union and some 50,000 Cuban troops.

"Southern Africa has had to undergo two wars of independence," said one African diplomat recently, looking back on events since 1960.

The first was seeking to end colonial ties with Britain or Portugal, the second with South Africa when we became the front line states.

"The second has been the toughest, being caught up in South Africa's struggle."

For Angola, Mozambique and Zimbabwe, the first round was costly enough. In Rhodesia's (now Zimbabwe) guerrilla war of independence over 25,000 lives were lost.

Angola, like Mozambique, was born into chaos as a coup in Portugal in 1975 saw the collapse of colonial rule and the exodus of hundreds of thousands of settlers.

But as the African diplomat indicated, the second round of fighting proved the most devastating for Mozambique and Angola, caught up in civil wars skillfully exploited by Pretoria.

The final toll of the war in southern Africa will never be known. Directly or indirectly, whether through war or famine exacerbated by conflict, hundreds of thousands of people have

died. For these front line countries, trying to sustain fragile ceasefires, yesterday's referendum will be seen as a critical step in a peace process that got under way in the late 1980s.

Sapped by sanctions, drained by conflict at home, and acknowledging that apartheid was unworkable, Pretoria ceded independence for Namibia in a deal that paved the way to the withdrawal of Cuban troops from Angola, and the ending of the country's civil war.

The process is now culminating in the most important development of all, reaching into the heart of violence in southern Africa: the devastating giant has taken a fundamental step towards reaching peace at home.

Michael Holman

Timetable to multiracial cabinet

Vote heralds rapid accord on interim government

AGREEMENT on a multiracial interim government should be achieved rapidly by South Africa's constitutional negotiating forum, the Convention for a Democratic South Africa (Codesa).

Codesa has yet to agree and there are many issues still to be negotiated, but a three-phase plan has already emerged from the bilateral talks between the two main participants, the government and the African National Congress (ANC). Their proposal is as follows:

● By the end of next month, Codesa could announce an agreement on interim government. The existing tricameral parliament, which includes separate houses for whites, coloureds and Indians, must then give the agreement legal force.

A multiracial Interim Government Council could be established by June, appointed by the 19 parties and groups represented at Codesa. The council would likely hold veto powers over the country's existing cabinet, though this has yet to be agreed. Independent commissions would be established to oversee the public media and preparations for elections.

Four multi-party committees would oversee foreign affairs, security, local government and the budget. The tricameral parliament would continue to sit while multiracial legislative elections were prepared.

● By at least mid-1993, elections would be held for a multiracial interim legislature that would draft a new constitution. The interim legislature would probably comprise only a single legislative chamber instead of the two originally insisted on by the currently ruling National Party. Seats would be allocated by proportional representation, with decisions on the constitu-

tion requiring a two-thirds majority.

By mid-year, the Interim Government Council would be replaced by a new cabinet representing, on a roughly proportional basis, the parties elected to the legislature.

The National Party has proposed that parties pass a 15 per cent threshold for representation in the cabinet, but this, as it would exclude everyone but the ANC and National Party, will be resisted in Codesa. Cabinet decisions would be taken by consensus; the National Party wants the presidency to be held in rotation by different parties.

● The new constitution would be agreed by mid-1994. Multi-party power-sharing, either entrenched in the constitution or agreed informally, would continue for at least five years, with decisions agreed by consensus. It is not clear whether there is agreement for a rotating presidency or for a single elected president.

Regional elections would be held to regional legislatures. The National Party wants each party represented in the regional assemblies to be allocated an equal number of seats for that region in the upper house envisaged for the new national legislature that will follow the interim arrangements.

This would give minority parties a disproportionately large influence in the upper house, a measure that has not been agreed by the ANC, which has asserted only to strong regional government.

The National Party hopes that the long period of consensus government will mean that the consensus principle will survive even after full majority rule is achieved by the end of the century.

Patti Waldmeir



Blacks in Johannesburg - above - celebrate the referendum results before marching on police HQ to demand an interim government. In Soweto, there was also relief at the outcome with residents

saying they were more determined than ever to exercise a vote. Reuter reports: In Cape Town, Anglican Archbishop Desmond Tutu said: "Good sensible people must be breathing sighs of relief. The

Conservative party and its neo-Nazi allies have eaten the dust in a way that is very satisfying." He urged Mr de Klerk to move like "greased lightning" in talks aimed at a non-racial democracy.

Closer ties predicted

Financial markets cheered but remain cautious

CLOSER trade, investment, and financial links with South Africa were predicted in the financial and business community yesterday following the referendum, although there was caution about the future.

Commerzbank, one of Germany's largest commercial banks, said it would proceed with a bond issue for Escom, the electricity utility, which had been postponed during the referendum period. It will lead an international consortium for the issue.

A spokesman for the Ford motor company in Detroit said: "We withdrew from South Africa in 1988 on a voluntary basis and while the referendum news is definitely encouraging we will have to conduct a full review before changing our position."

On the international bond market yesterday, the result was widely seen as likely to bring forward the launch of further bond issues from the republic.

However, further political headway would have to be made before there could be more fund-raising, bankers said.

South Africa has launched three international bond issues since last summer, two in the name of the republic and one in the name of the Development Bank of South Africa. All have been sold mainly to German private investors, rather than institutions. Concern about political risk, and ethical or legal obstacles, still loom large.

The republic's Ecu250m (£178m) of bonds, launched in January, were trading yesterday at a yield of 10.63 per cent, 0.2 of a percentage point above offer price - a reflection that demand for the bonds, though reported to have picked up yesterday, has yet to affect the price.

Foreign and financial staff

Conservatives seek political life beyond Treurnicht Business greets spur to growth

SOUTH AFRICA'S ultra-right Conservative Party (CP) - the last and most fervent champion of apartheid - is in the market for a new policy, and a new leader.

Its dream of creating separate tribal homelands for each of the white and black tribes of South Africa - originally the platform of the National Party, but latterly the goal of the Conservatives - was firmly rejected in the referendum. The voters' verdict on Mr Andries Treurnicht, the CP leader, was equally harsh. He is unlikely to survive the humiliation.

The whites-only poll was the Conservatives' last chance to win power through the ballot box: a "no" vote would have forced the ruling National Party to resign, leaving the CP with certain victory in the ensuing general election. Now there will never be a CP government - unless the military

should decide to install one, a most unlikely prospect.

The CP can still claim to represent more than 1m voters - fully 30 per cent of the white electorate - but it cannot force through its lunatic plans for social engineering.

Even before the referendum defeat, the party had begun to jettison some of its policies in a move to occupy the centre-right of white politics. An influential group of younger, more moderate CP members of parliament - led by the witty and articulate Mr Kees van der Merwe, and the brothers Pieter and Corne Mulder, members of a famous South African political family - sought to black party policy from older reactionaries who clung to old-style apartheid. They defended the campaign for a separate Afrikaner state by arguing that this was no more odious than the demand for an independent Croatia, merely a reflection of

the ethnic nationalism sweeping Europe.

They forced the ultra-conservative leadership of the party to reverse its decision to fight the referendum. The CP could not refuse to fight with honour. Then they unilaterally announced policy changes which caught senior leaders off guard. Mr van der Merwe said the CP would not reinstate apartheid. However, this was largely a sleight of hand: apartheid laws would not be needed in the white homeland which Mr van der Merwe proposed, because blacks would not be citizens of such a state. They could be kept out by visa restrictions, rather than the hated pass laws.

The maverick MPs also said the CP was willing to negotiate political reform with blacks. Official party policy has been to boycott the Convention for a Democratic South Africa

(Codesa), the multi-racial forum which is negotiating a new constitution. Party officials now say they are ready to talk though not in Codesa, where voting rules favour the National Party and the African National Congress (ANC).

But most importantly, the CP compromised on its central demand that whites should occupy 87 per cent of South Africa as their own homeland, with millions of blacks crowded on to tribal states on the remaining 13 per cent. That was the original plan of apartheid: a constellation of black states federated to a large white nation. The concept of a loose confederation will remain, even after yesterday's defeat; but it seems likely that the CP will dramatically scale down its demand for land.

Eventually, the more moderate party faction would probably settle for strong regional government in areas such as

the Western Cape where there are large numbers of whites, rather than a fully-fledged geographic homeland.

The CP is likely to end up placing more moderate demands on the table at Codesa. But it is too early to say whether the party will split over the issue.

Mr Treurnicht is almost certain to step down, but the battle has yet to begin between Mrs Mulder and the more conservative Mr Andries Beyers. Once the choice is made, the defeated candidate could lead an exodus of loyal MPs out of the party. That could leave an ultra-radical core of right-wingers in the Conservative party, with a "new right" faction sitting at the table in Codesa.

Conceding defeat in the referendum, Mr Treurnicht warned that the white "struggle for freedom and survival" had entered a new phase. It

was "continuing in even greater earnestness than before". The new phase would not include armed action, but he added: "We say to de Klerk, don't force us under a Marxist government."

It is clear the wishes of 1m white voters cannot simply be ignored. In fact, the right could prove more dangerous than ever. Many of the more fanatical Conservatives will feel the constitutional route to opposition has been blocked: the hard core now claims to have a moral justification for violence.

Their numbers would be few - witness the pitifully small demonstrations staged by the paramilitary Afrikaner Resistance Movement (AWB) during the campaign - but a few well-placed bombs could cause considerable havoc, and seriously damage the prospects for reform.

Patti Waldmeir

Budget targets black issues

THE government yesterday presented a budget for "equity through growth and stability", with a commitment to higher spending to improve economic conditions for blacks.

Total expenditure for 1992-93 will rise by 16.5 per cent to R100.7bn (£20.1bn), a 2 per cent growth in real terms. Revenue is budgeted to increase by 15.3 per cent from the revised estimate for 1991-2 to R84.8bn.

Mr Barend du Plessis, the minister of finance, described the budget as "exceptionally difficult", in the light of the demands which had to be financed from stagnant revenues.

Considerable progress is made towards equalising pension payments, with the gap between different racial groups narrowing by 40 per cent. After the changes monthly pensions will be: Whites - R245; Coloureds and Indians - R318;

Blacks - R233. The remaining discrepancies will be removed next year.

There were also large increases in expenditure on education, housing and health. Defence spending is cut by 3 per cent in real terms, but most of the monies released are taken up by a 22 per cent increase in the police vote.

The burden of financing the increased expenditure falls on the individual taxpayer, who will pay 26 per cent more in tax than in 1991-92, largely as a result of fiscal drag, whereby wage increases for inflation have pulled more earners into higher tax bands. There is some relief for middle and lower income taxpayers, who are taken into lower tax bands by a simplified income tax banding structure.

Individuals will pay 40.3 per cent of tax in 1992-93, compared to 33.1 per cent as recently as

1990-91 and 26.8 per cent in 1977-78. Customs and excise levies are to be increased, and the petrol price will rise by 8 cents a litre.

A negative trend is the large size of the deficit which is estimated at R15.5bn for 1992-93, or 4.5 per cent of GDP - the same size as the eventual deficit in 1991-92: R16.8bn of the deficit would be financed from sales of strategic stockpiles, mainly oil.

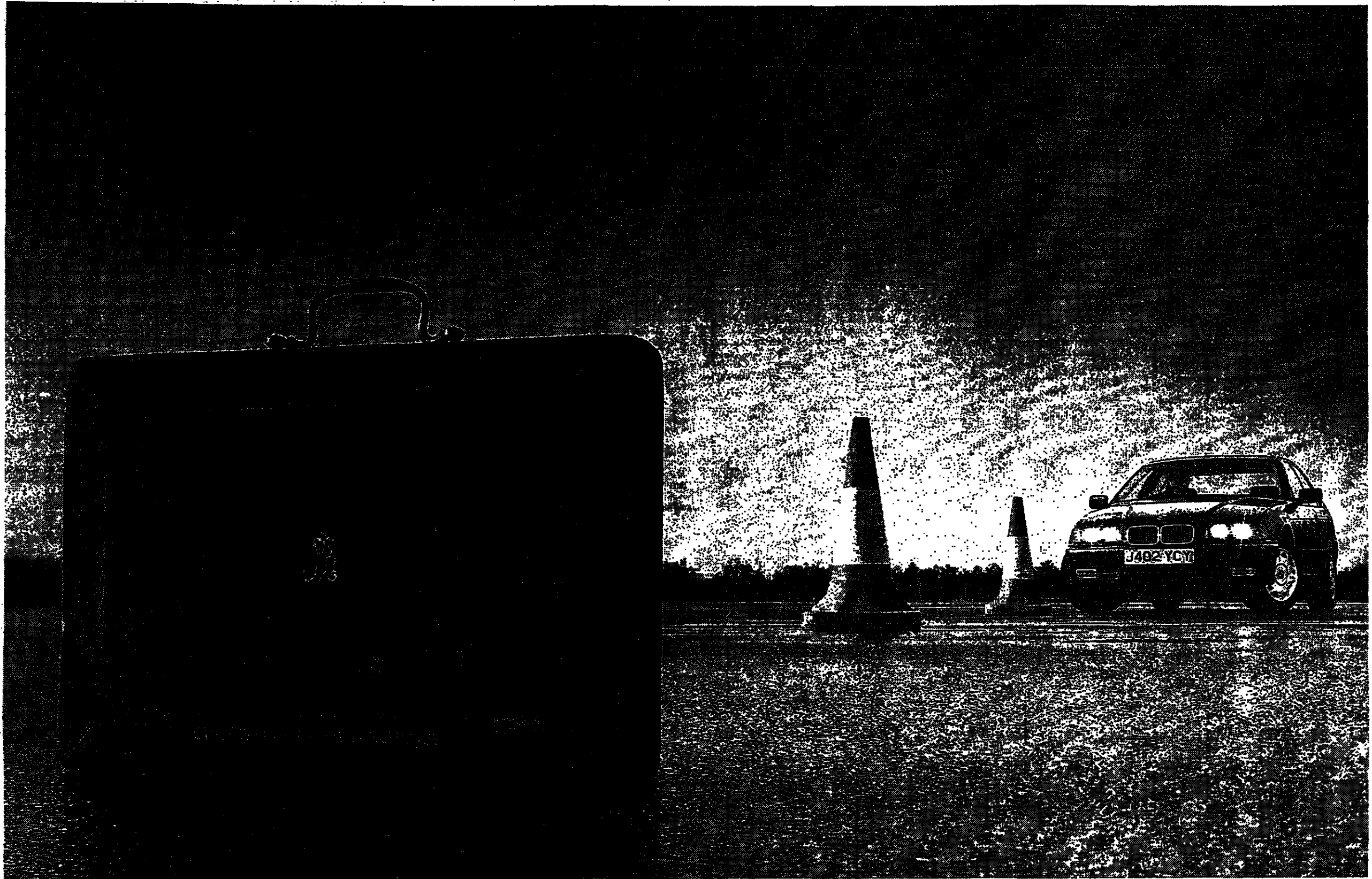
Finance department officials said the size of the deficit was a "temporary" but acceptable diversion from the IMF norm of a 3 per cent deficit.

Economists, however, have expressed concern at the implications of such a large deficit for the size of the government debt. Debt servicing will account for about 16 per cent of spending in the budget.

Phillip Gawith

Rooibosfontein				Rooibosfontein			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
52.4	47.6	237,882	43.0	57.0	67,432		
Johannesburg				Pretoria			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
78.3	21.7	414,643	57.4	42.6	501,545		
Kimberley				Germiston			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
94.5	45.5	81,286	65.4	34.6	250,869		
Bloemfontein				Kroonstad			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
58.6	41.4	99,083	51.5	48.5	105,810		
Beaufort West				Durban			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
61.6	38.4	30,738	85.0	15.0	240,346		
Cape Town				Pietermaritzburg			
%	Number	%	Number	%	Number	%	Number
Yes	No. of votes	Yes	No. of votes	Yes	No. of votes	Yes	No. of votes
84.9	15.1	418,852	65.4	34.6	61,497	74.5	25.5
						117,125	78.3
						21.7	36,173
						76.0	24.0
						87,523	

Phillip Gawith



YET ANOTHER THING A BMW 320i AVOIDS WITH EASE.

Are BMW encouraging you to get around the Chancellor?
Yes. By suggesting that you take the sensible step of purchasing a new BMW 320i.

It's a decision that's easily justified. The 320i is one of only two 6 cylinder, 2 litre cars to pass below the £19,250 tax threshold. (The other being the BMW 520i.)

However, outmanoeuvring the Chancellor isn't the car's only achievement. Consider, for example, its enhanced handling and stability, afforded by the new 3 Series' chassis.

Then weigh up the advantages of the car's precise 50/50 balance between front and rear.

Finally, note how untaxing it is to drive this car. Its affinity with the road comes as a result of BMW's unique Z-axis rear suspension, developed for the delightful Z1 sports car.

Little wonder then that the Chancellor's despatch box presents no great obstacle.

To: BMW Information Service, Winterhill, Milton Keynes MK6 1HQ. Telephone 0908 249189.

Please send me further information on the BMW 3 Series and the name of my local dealer.

(Mr, Mrs, Miss etc.) Initial Surname

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Town/County

Post Code

Telephone

Present Car

Year of reg. Age if under 18



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AMERICAN NEWS

Jerry Brown takes up protest vote baton



It looks as if 1992's baton of political protest is changing hands. As, bit by bit, Mr. Patrick Buchanan's Republican challenge to President George Bush fades, so that of Mr. Jerry Brown to the Democratic frontrunner, Mr. Bill Clinton, gathers steam.

Election night in Illinois and Michigan saw Mr. Brown, the former governor of California, promising "to win the soul" of the Democratic Party back from the "despicable" and "rupt power elite". His mission, he declared, was Jeffersonian, to ensure that a privileged few did not grow fat off the labours of the many.

This is pretty much what Mr. Buchanan has been saying all year on his conservative crusade - which now seems on the wane, albeit with lots of brave talk of the great battle to come in 1996. The question is whether Mr. Brown on more or less the left will have any more luck than Mr. Buchanan did on the right.

There is a lot of truth to Mr. Clinton's charge in their stormy debate confrontation last Sunday night that Mr. Brown "reinvents himself every year or two". It certainly is the case that in 1976, when governor of California, he donned the clothes of the establishment to try and stop another southerner, Jimmy Carter, winning the nomination: precisely the reverse of his position today.

There is also a tendency to remember Mr. Brown as "Governor Moonbeam", which roughly translates as a soft-centred, sometime visionary. This was reinforced in the 1980s by his sojourn with Mother Theresa in Calcutta and his study of Zen in Japan.

This year's reality is completely different. He has proved opportunistic, sensing a national alienation in need of a voice; he is totally unscrupulous, as the Sunday debate

showed, willing to play fast and loose with the facts and wildly misquoting the Washington Post article on Hillary Clinton's Arkansas law firm in order to drag Mr. Clinton down; and, not unlike Mr. Buchanan, he sounds like a xenophobe. Thus he constantly inveighs against the export of jobs to Mexico, to the point that his occasional qualifiers that he has nothing against Mexico *per se* get lost in the wash. He would leave only 1,000 US troops in Europe, cynically adding that a like number of European troops should be stationed in the US as "exchange students". Any attempt to discuss aid to the former Soviet Union is instantly reduced by Mr. Brown into the greater need to create jobs at home.

His family is intensely political: his father preceded Ronald

Reagan as governor of California and his sister, Kathleen, is currently state treasurer. His political genes have clearly taught him to do whatever is necessary to win.

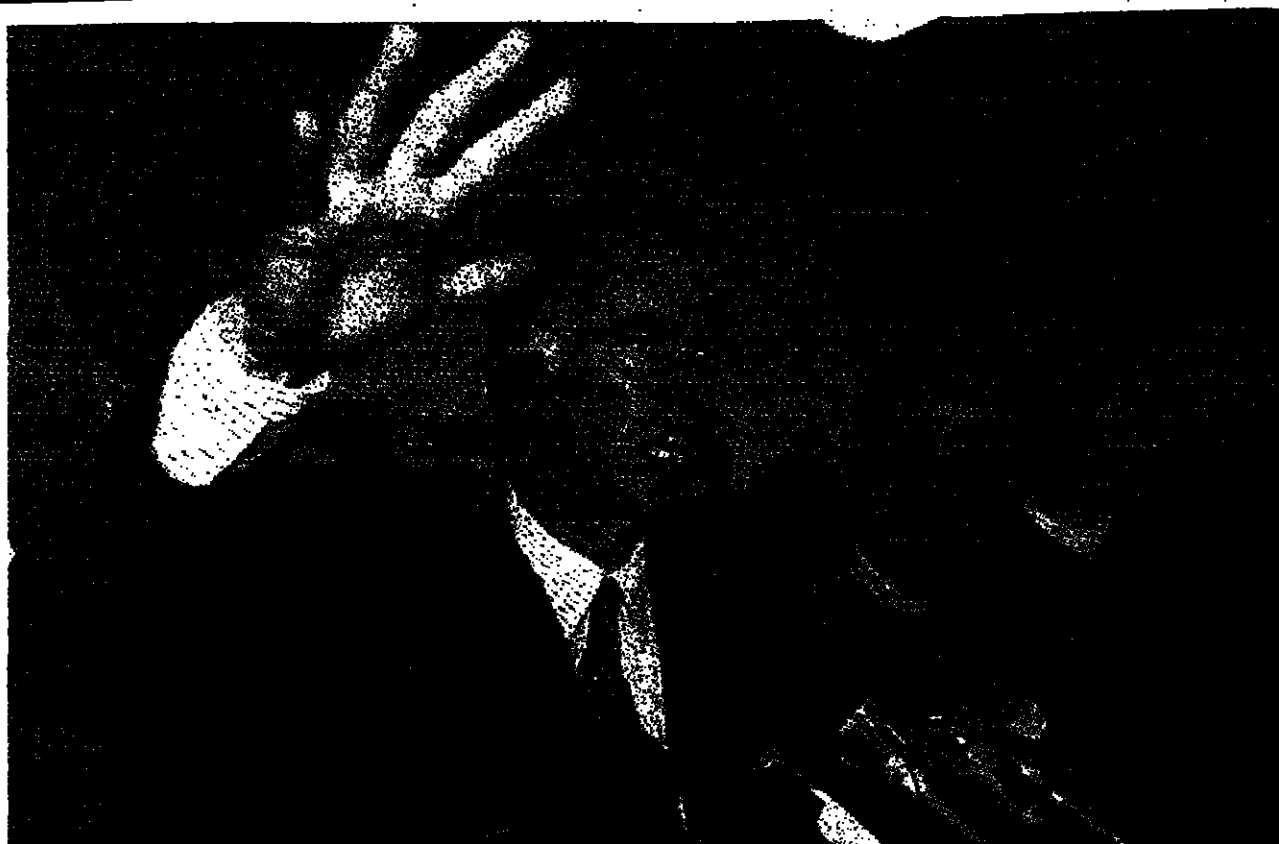
His grab-bag of policy positions, often little more than slogans, strike a certain chord in an uncertain country, and did so with a vengeance in Michigan on Tuesday. Flat rates of tax, environmental activism, enterprise zones, public works on a grand scale, disengagement from most things foreign, have the beauty of simplicity.

As the opponents of Mr. Clinton have fallen by the wayside, and with Mr. Paul Tsongas now barely competitive, Mr. Brown has forced himself into the Democratic Party's considerations. Party leaders want him to go away, just as the Republican hierarchy has been urging Mr. Buchanan to give up, because they know he is also not electable in November. They certainly do not want him to be the beneficiary of any subsequent scandal that really engulfed Mr. Clinton. This is why Mr. Tsongas, *faute de mieux*, will be privately urged to stay in the race.

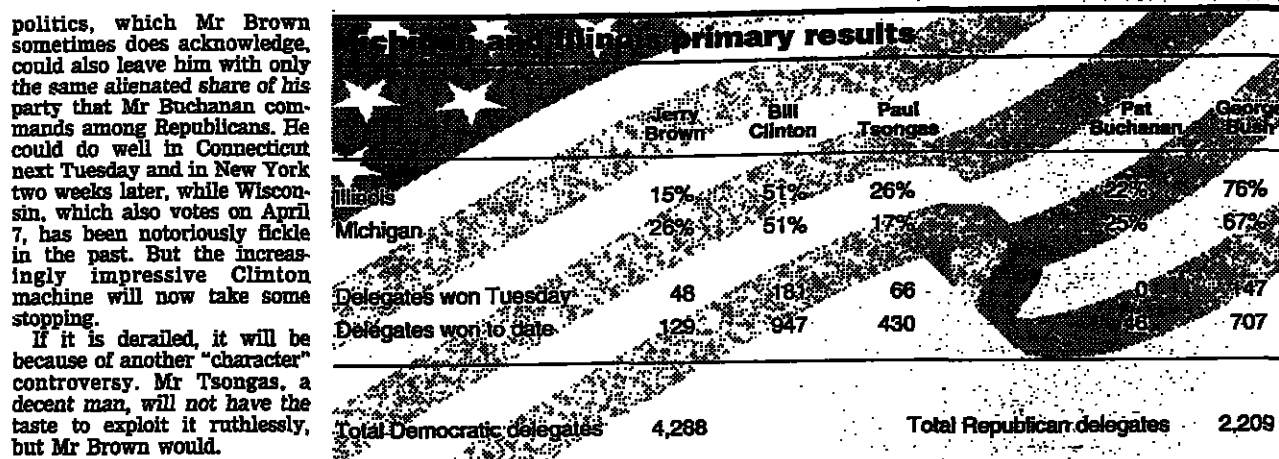
But his messianic perversity could see Mr. Brown taking his insurgent troops with him on a third party candidacy in the election proper, as John Anderson did in 1980; or, almost as bad, that he will not be reconciled with the nominee, particularly if it is Mr. Clinton, and keep them at home. He lifted few fingers for Jimmy Carter in 1976 and California, of which he was then Democratic governor, voted Republican.

Yet the hard facts of primary politics, which Mr. Brown sometimes does acknowledge, could also leave him with only the same alienated share of his party that Mr. Buchanan commands among Republicans. He could do well in Connecticut next Tuesday and in New York two weeks later, while Wisconsin, which also votes on April 7, has been notoriously fickle in the past. But the increasingly impressive Clinton machine will now take some stopping.

If it is derailed, it will be because of another "character" controversy. Mr. Tsongas, a decent man, will not have the taste to exploit it ruthlessly, but Mr. Brown would.



NEW election, new man: Democratic candidate Brown addresses a Madison rally in his latest political guise



BCCI investigator calls on Bush to sack campaign deputy manager

A SENIOR member of Congress investigating the Bank of Credit and Commerce International (BCCI) affair yesterday called on President George Bush to sack Mr. James Lake, the deputy manager of the Bush re-election campaign. Alan Friedman reports from New York.

Mr. Lake also serves as US public relations adviser to the Abu Dhabi Investment Authority, one of the key investment vehicles used by Sheikh Zayed Sultan Nahyan to hold

majority control of BCCI. Senator John Kerry, the Massachusetts Democrat who has led the US Congress's investigation of the BCCI affair, said: "I have to question the propriety of the President of the United States' campaign being managed by someone who is simultaneously being paid over \$200,000 every three months to represent BCCI's biggest shareholder."

Mr. Kerry, who held a BCCI hearing yesterday, said he did not know

what services Mr. Lake was providing to Abu Dhabi, but he said there was "an appearance of impropriety here" and called on Mr. Bush to ask Mr. Lake to resign his position in the Bush campaign immediately. As a precedent, the Senator cited the example of Mr. Ed Rogers, the former deputy to Mr. John Sununu, former White House chief of staff. President Bush moved to distance himself from Mr. Rogers last October when it emerged that the former

Sununu aide had accepted a \$600,000 contract to represent Sheikh Khalid Al-Fahad, the former head of Saudi intelligence and a key figure in the BCCI affair. "To be blunt, Mr. Lake should not be sitting in on White House campaign strategy meetings while he is also providing strategy to Sheikh Zayed on how to deal with problems arising out of his ownership of BCCI," Senator Kerry said in his committee

had not drawn any conclusions about Sheikh Zayed's role in the BCCI affair. Mr. Mark Helmke, a deputy to Mr. Lake, confirmed that the public relations firm of Robinson, Lake, Lehrer and Montgomery is a registered foreign agent for the Abu Dhabi Investment Authority and has advised Abu Dhabi on how to deal with the US media on BCCI-related issues. Mr. Helmke said that Mr. Lake's

Abu Dhabi connection was reviewed by Mr. Boyden Gray, the White House counsel, and was considered to be irrelevant before Mr. Lake was named to the Bush campaign two months ago. Mrs. Linda Robinson, the president of Robinson, Lake who is married to Mr. Jim Robinson, chairman of American Express, said through a spokeswoman that the Abu Dhabi relationship was handled through the firm's Washington office.

Incumbent Democrats face an uphill struggle

By Jurek Martin
in Washington

INCUMBENCY may be losing its electoral advantage this year, on the evidence of Tuesday's Democratic primary elections in Illinois.

Mr. Alan Dixon, the two-term senator and quintessential Washington insider, was upset by Ms. Carol Mosely Braun, the Cook County recorder of deeds. If she wins in November, she would be the first black woman ever elected to the Senate.

Congressman Dan Rostenkowski, chairman of the House Ways and Means Committee, survived a primary challenge, but was held to under 60 per cent of the vote for the first time in a generation. Two prominent black congressmen from Chicago, Mr. Jesse Jackson and Mr. Charles Hayes, were also thrown out. Mr. Savage has long been notorious for playing the racial card most aggressively and, true to form, he blamed his defeat on "the white racist press and the racist reactionary Jewish media." Mr. Hayes has emerged as one of the biggest abusers of the House bank overdraft facility, bouncing over 700 cheques. But the message of their defeats was complicated by districts which had been redrawn and by the fact that both lost to well-known local black politicians.

Mr. Mel Reynolds, a former Rhodes Scholar who beat Mr. Savage easily, may have profited from being shot at last Thursday night. Mr. Bobby Rush, a former black panther and Mr. Hayes's conqueror, was already a city alderman.

As a national level, the most interesting message from the Dixon defeat in a three-way race was the extent to which white suburban women joined with blacks in preferring Ms. Braun because of Mr. Dixon's vote to confirm Judge Clarence Thomas to the Supreme Court last year after the allegations that he had sexually harassed Ms. Anita Hill, the university law professor.

TAXES, INVESTMENTS, PENSIONS AND PROPERTY VALUES - WILL YOU WIN IF LABOUR DOES?

In Finance and The Family our specialist writers give their FT comment on Labour's impact on your personal finances.

IN THIS SATURDAY'S

Weekend FT

Making Movies -

- on relocation. Videos for managers and their staff, bringing key issues into sharp focus and giving you the facts you need.

Videos showing reality - not fiction. Where talking heads are real people with personal experience of moving their business, families and homes to York. And when you've seen the films, read the books. From Profile - a 20 minute 'key messages' guide - to the detailed statistics contained in the Data File and Sites File, we've prepared a range of documents to help you make your decision. Or better still, visit us here in York and see for yourself.

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YORK
THE DISTINCT ADVANTAGE

COURIER & EXPRESS SERVICES

The FT proposes to publish this survey on

May 15 1992.
The survey will be seen in 160 countries worldwide and will be of special interest to 51,000 readers in the UK who are decision makers on postal despatch and freight services. If you want to reach this important audience, call

Bill Castle
on 071 873 3760 or Fax 071 873 3062.

Data source: BMRC Businessman survey 1990

FT SURVEYS

LEGAL NOTICES

Notice of Creditors meeting

AMTECH (UK) LIMITED

IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to

Section 48 of the Insolvency Act 1986, that

a MEETING OF THE CREDITORS of the

above companies will be held at The

Grange Hotel, Marks Way, Two Mills Ash,

Midland Bank plc, 43 Temple Row,

Birmingham, B2 5JT.

Creditors whose claims are wholly secured

are not entitled to attend or vote at the

meeting. Creditors who are partly secured

may only vote in respect of the balance of

the amount due to them after deducting the

value of the security. An estimate of the

value of the security of a debt due to

them, or secured by, a bill of exchange or

promissory note must treat the liability of

any person who is liable on the bill

antecedently to the company as a security

held by him (unless that other person is

subject to a bankruptcy order or in

liquidation).

Creditors wishing to vote at the meeting

must lodge a written statement of their

claims with us at Cork Gully, 43 Temple

Row, Birmingham, B2 5JT no later than 12

noon on 1 April 1992. Forms of proxy, if

intended to be used, must also be lodged

with us by that time. (Faxed copies are not

acceptable.)

DATED this 13 March 1992

Jan N Carruthers and David R Wilson,

Joint Administrative Receivers

ENGLISH TRUST PLC

Notice is hereby given that in the petition

presented by English Trust PLC to the Court

of Sessions to pronounce an order of

sanctioning a Scheme of Arrangement and

for confirmation of reduction of capital, an

order of the Court, dated 10th March 1992,

sanctioning the Scheme of Arrangement and

confirming the reduction of capital together

with a certified copy of the Scheme of

Arrangement and a copy of Minute in

connection with the reduction of capital as

approved by the Court, were registered by

the Registrar of Companies on 10th March

1992. Bird Sample Fyfe Ireland, WS,

Solicitors, 30 Queen's Road, Edinburgh,

EH4 2JG.

SOLICITORS FOR ENGLISH TRUST PLC

ART GALLERIES

E. BANDER, D. JONES, J. NASH, S.

PALMER, G. SUTHERLAND, Trustees of

Landmark, 7th April at BORNIN Gal-

lery, 15 Handing Rd, Wexley, Oxon. Tel

0491 57628.

MARLBOROUGH & ALBEMARLE Street, London

W1 1992. 25 March - 25 April 1992.

Mon-Fri 10.30 Sat 10-12.30. Tel: 01 859

581.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

GS SOFT DRINKS LIMITED

Registered number: 01423255. Nature of

business: Manufacturers of soft drinks.

Trade classification: 64. Date of

appointment of joint administrative

receivers: 27 February 1992. Name of

person appointing the joint administrative

receivers: Midland Bank plc.

JOHN FREDERICK POWELL and DAVID

ROBERT WILTON, Joint Administrative

Receivers (Office holders nos 2958 and

5708), Cork Gully, 43 Temple Row,

Birmingham, B2 5JT.

Notice of appointment of joint administrative receivers.

(WEST BROMWICH) LIMITED

Registered number: 589539. Nature of

business: Manufacturers of soft drinks.

Trade classification: 64. Date of

appointment of joint administrative

receivers: 27 February 1992. Name of

person appointing the joint administrative

receivers: Midland Bank plc.

JOHN FREDERICK POWELL and DAVID

ROBERT WILTON, Joint Administrative

Receivers (Office holders nos 2958 and

5708), Cork Gully, 43 Temple Row,

Birmingham, B2 5JT.

COMPANY NOTICES

BAVER AKTIENGESELLSCHAFT

The Annual General Meeting of

Bayer Aktiengesellschaft will be held

on 29th April, 1992 in Cologne. Pay-

ment of Dividend of 20% for the year

1991 will be processed.

Copies of the Company's Annual

Report for 1991 in English will be avail-

able from:

Hambros Bank Limited,

155 Cannon Street, London EC4A 3DF.

Northwest Bank Limited,

S.G. Warburg & Co. Ltd.

United Kingdom Shareholders

who wish to attend and vote at the

Annual General Meeting should by

21st April 1992, inform S.G. Warburg &

Co. Ltd, Paying Agency, 2 Prudery

Avenue, London EC2M 2PH who will

make the necessary arrangements on

their behalf.

Under Section 125 of the German

Commercial Code, the Board of Man-

agement is only obliged to provide

information on proposals and nomi-

nations that may be made by share-

holders if the parties concerned prove

their standing as shareholders in good

time.

BAVER AKTIENGESELLSCHAFT

19th March, 1992

CORPORATE GOVERNANCE

The FT proposes to publish this highly topical survey on

June 3 1992.

The governance of publicly-owned companies has become a major business issue in recent years. This survey will be seen by 54% of Chief Executives in Europe's top companies. If you wish to reach this important audience, call Sara Mason on 071 873 3349 or fax 071 873 3064 for advertising details.

Data source: Chief Executives in Europe 1990.

FT SURVEYS

AMERICAN NEWS

Islamic Jihad says it bombed Israeli embassy

By John Barham in Buenos Aires, Lara Marlowe in Beirut and Hugh Carnegie in Jerusalem

ISLAMIC JIHAD, an underground Shia Moslem Lebanese group close to Iran, yesterday claimed responsibility for bombing the Israeli embassy in Buenos Aires as rescue workers continued to comb the wreckage for up to 100 people who may still be trapped in the rubble.

The group said in Beirut that Tuesday's attack was carried out by a suicide bomber, named Abu Yasser, an Argentine convert to Islam, in reprisal for the Israeli assassination last month of Sheikh Abbas Musawi, the Hizbollah leader.

Islamic Jihad is an offshoot of the Lebanese Hizbollah, loyal to Iranian hardliner Ayatollah Ali Akbar Mohtashami.

The claim, resonant with terms used over the past nine years in other Islamic Jihad claims of responsibility for bombings and kidnappings, demonstrated for the first time the ability of the fundamentalist cell to strike far outside the Middle East.

Mr Jose Luis Manzano, Argentina's interior minister, blamed the attack on "extremists from abroad who received logistical support" from local groups.

Argentina has Latin America's biggest Jewish community, numbering about 300,000-400,000, as well as a large Arab community, whose most prominent member is President Carlos Menem, the son of Syrian immigrants.

Argentine officials confirmed that a car bomb loaded with 100kg of explosives was used to virtually demolish the embassy.

Rescue workers continued hunting through the rubble in search of survivors even though officials admitted they have given up hope of digging anyone out alive.

The bodies of three embassy staff have been recovered, bringing the unofficial death toll to 11.

Estimates of the number of people inside the building at the time of the explosion vary from 40 to 100. The number injured has risen to over 250.

The attack is likely to prompt swift Israeli retaliation against targets in Lebanon. Even before the Islamic Jihad claim, senior Israeli officials said they would inflict "painful punishment" on those who carried out the attack and those who sent them.

Officials said the bombing would not cause Israel to withdraw from the Middle East peace talks.

Mr David Levy, the foreign minister, said a "Damascus-Tehran axis" supported acts like the embassy bombing and the killing earlier this month in a car bomb explosion in Ankara of an Israeli embassy security officer.

In Damascus, President Hafez al-Assad denied Syria had been involved in either this bombing or any such acts and said he did not know who was responsible for the explosion.



A Jewish man is escorted to safety after the embassy blast

Beige Book survey reports little upward pressure on prices

Fed banks see improved economy

MOST Federal Reserve system banks see an improving US economy with little upward pressure on prices, according to the Fed's latest survey of economic conditions, known as the Beige Book, Reuter reports from Washington.

"Most Federal Reserve districts report some improvement in economic conditions," said the report, prepared by the Federal Reserve Bank of Minneapolis. More house building and rising new car and other retail sales were most often mentioned.

"Business sentiment is described as modestly more optimistic in many parts of the country, though it remains

cautious," the survey said.

"There are few indications of significant upward pressure on retail and wholesale prices of goods," the Fed report said.

The Fed reports are issued at roughly six-week intervals. The latest one sets the most optimistic tone since last summer about the economy's prospects.

It says manufacturing remains flat with many districts reporting layoffs and rising unemployment. "Yet several districts report glimmers of recovery in manufacturing, with improving expectations for future activity."

Bank loan demand "is best

described as flat", though home mortgage lending was often mentioned as a bright spot. "Mortgage refinancing activity appears to be tapering off somewhat."

Wage and price pressures "appear generally quite moderate," the report said, though some mentioned lumber prices were rising because of more building and restricted supplies.

Consumers were becoming more active. "Most Federal Reserve districts report some improvement in retail sales so far and guarded optimism on the part of merchandisers."

New car sales were reported to be rising modestly in Bos-

ton, Philadelphia, Cleveland, Atlanta, Chicago, Minneapolis, Kansas City and San Francisco. The only district where car sales were falling was Dallas, the Fed said.

But prospects for manufacturing industries remain mixed, with New York, Minneapolis and San Francisco Fed banks reporting continuing layoffs and rising unemployment rates. Although, in Philadelphia, Dallas and Richmond, Virginia, there were modest rises in shipments or production rates.

Richmond and Kansas City said inventories were still falling, but Cleveland said liquidation may have ended.

Bush poised to act over car pollution

By George Graham in Washington

THE Bush administration was poised yesterday to announce new environmental regulations that would cut fuel efficiency standards for cars that use alternative fuels.

Also the administration planned to announce a scheme for companies to receive pollution credits if they buy and scrap old cars with lower fuel efficiency and higher emissions than today's vehicles.

The new measures are part

of President Bush's 90-day review of federal regulations, aimed at cutting back the burden imposed by bureaucratic rules on the economy.

Although they were presented as anti-pollution measures, the proposals were criticised as ineffective ways of tackling pollution or excessive energy consumption.

The administration was expected to reduce the current average fuel efficiency require-

ment of 27.5 miles per US gallon imposed on car fleets for those cars which use reformulated petrol or alternative fuels. The US is already moving towards requiring all cars to use reformulated petrol, which reduces hydrocarbon emissions.

Car emission specialists said allowing lower fuel efficiency would waste 150,000 barrels of oil a day and would increase carbon dioxide emissions,

thought to contribute to global warming.

The pollution credit proposal is also expected to have little overall environmental effect. Any reduction in emissions from old "gas-guzzler" cars would be offset by increased emissions from the industrial polluters that chose to use the new mechanism.

It would, however, provide a bonus for the fragile US car industry.

Egypt and Syria oppose renewed war

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt and Mr Hafez al Assad, his Syrian counterpart, yesterday said they opposed renewed military action against Iraq, in an apparent signal to the US and its allies to cool talk of such a step.

Mr Assad, who has long been at loggerheads with the Iraqi regime, told a news conference after several rounds of talks with his Egyptian counterpart: "We are not prepared to support military action against Iraq," Mr Mubarak echoed his words, saying: "Supporting the use of force, we are against it."

Syria and Egypt both sent ground forces to join the coalition which ousted Iraq from Kuwait, but are now cautioning restraint because of fears that renewed conflict might fuel instability in the region. The five permanent members of the Security Council have become increasingly frustrated over Iraq's tardiness in complying with Gulf war ceasefire terms which require the destruction of its nuclear, chemical and ballistic missile facilities. The US and Britain have revived talk of military action in order to exert additional pressure on Baghdad.

Mr Assad said, meanwhile, that Syria would continue to participate in Middle East peace talks with Israel, but he doubted Israel's sincerity.

Damascus has been threatening to withdraw over what it claims is Israeli intransigence. But Mr Assad's statement yesterday was a clear signal that Syria wanted to avoid any blame for possible failure.

Peru cuts interest rates to curb sol

By Sally Bowen in Lima

THE PERUVIAN government and five leading banks have finally reached agreement on a cut in interest rates as part of a strategy to depress the overvalued local currency.

For the past three months the sol has continued to strengthen against the dollar, to the detriment of exporters and local manufacturers who are increasingly unable to compete with cheap imports. Interest rates will fall by an average of around 3 per cent, discouraging capital from abroad, which has been flooding into Peru at over \$100m a month.

The participating banks - comprising about two-thirds of Peru's banking system - will now charge 18 per cent annually to customers borrowing in dollars and 7 per cent a month for local currency.

The new rates "are not obligatory", explained Mr Carlos Bolona, economy and finance minister, "but other banks are invited to co-operate."

The government has taken steps to reduce banking costs by temporarily suspending a 0.4 per cent tax on all cheques written. Liquidity with the system should also improve with the elimination of the local currency reserve requirement.

The central bank appears to be planning to play a bigger role in exchange rate regulation. Its president, Mr Jorge Chavez, announced that daily dollar purchases would be increased to a maximum of \$3.5m a day.

Camdessus pleads for US to pass increase

By George Graham in Washington

MR Michel Camdessus, managing director of the International Monetary Fund (IMF), yesterday delivered an urgent plea to the US Congress for it to vote through America's share of his organisation's proposed \$60bn (\$34bn) capital increase.

Calling the 50 per cent increase in the IMF's capital "absolutely critical," Mr Camdessus begged Washington not to delay voting on its \$20bn share.

Mr Camdessus warned that without new resources, he might have to halt new IMF commitments late this year or early in 1993.

"I know some people have suggested this is not urgent, that the IMF quota increase can safely be postponed. Please believe me this is not so: we need the additional funds this year," he told the US Chamber of Commerce yesterday. But chances of winning early congressional approval for the increase appeared dimmer than ever yesterday.

Advocates of the capital increase had hoped to attach the measure to a foreign aid bill before the end of this

month, but the breakdown of negotiations on Israel's request for \$10bn of US loan guarantees now appears to have killed any prospect of this bill emerging.

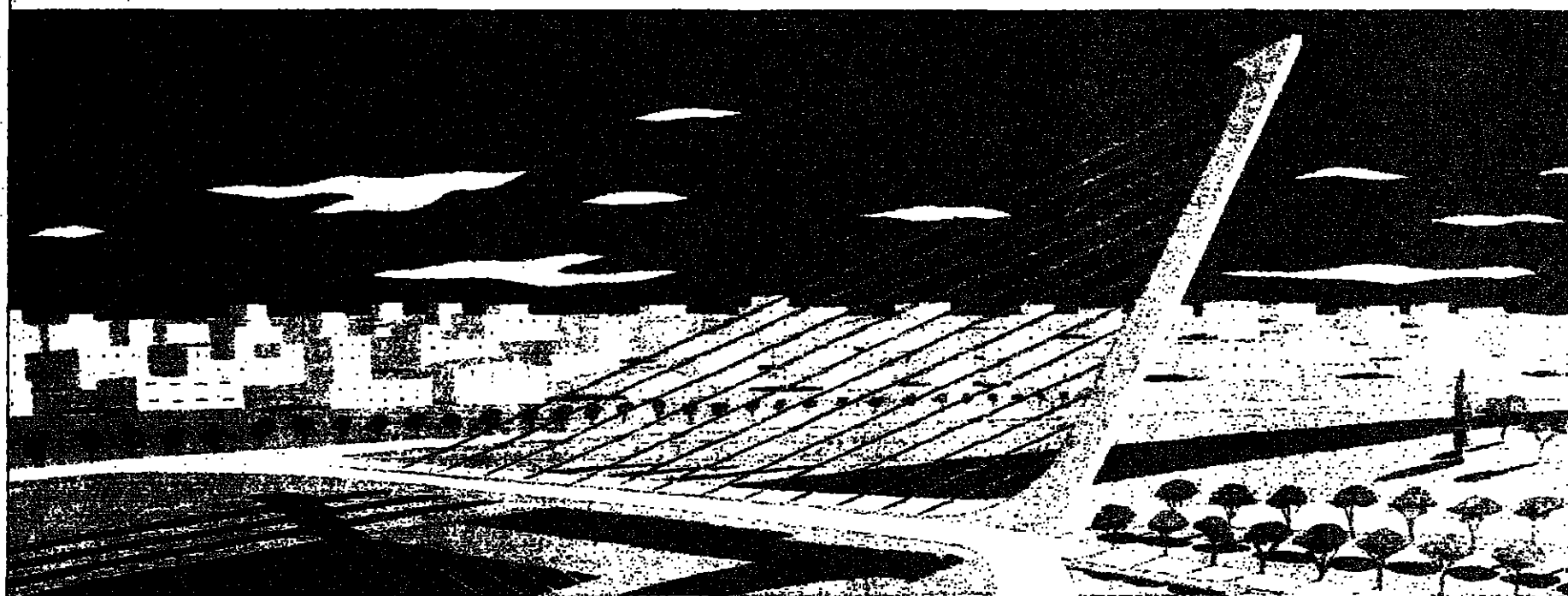
Without US agreement, the entire IMF capital increase would be halted, because the organisation's rules require approval from countries representing 85 per cent of its votes. The US's 19 per cent voting share is enough to block the measure.

The need for new capital is especially great because of the call on IMF resources from the countries of eastern Europe and the republics of the former Soviet Union.

The IMF chief hopes their membership applications will have been processed by the summer.

But Democrats in Congress are wary of voting for the IMF funding, which proved political suicide in 1983. They want the Republican administration to make a more public commitment to the measure to avert the possibility that their opponents might use it against them in this autumn's congressional elections.

The Spanish have an inclination towards British Steel.



There are more angles to British Steel than you might think.

For example, we supplied all the steel for the deck and the leaning tower of the spectacular Puente del Alamillo at Expo '92. It's the first suspension bridge of its kind in the world and at five hundred and twenty

feet high it dominates the whole Expo site.

We also made a major contribution to the new high-speed rail link that cuts travelling time between Madrid and Seville from six hours to a miserly two and a half.

But perhaps you'll find British Steel in its most exciting guise in our country's showcase to the world: the British Pavilion at Expo '92.

With a frontage of glass and flowing water, the structure's key feature is its delicacy of design. British Steel was the clear choice to provide the framework of the building: every aspect of it emphasises steel's strength and flexibility.

Small wonder the Spanish aren't the only nation leaning towards us.



British Steel: British mettle

UK NEWS

ELECTION 1992: The manifestos

Classic Conservatism in post-Thatcher era

By Philip Stephens, Political Editor

IT IS not Thatcherism. Nor is there a distinctive enough political philosophy in the Conservative manifesto to warrant the label Majorism. So Mr John Major chose yesterday to call it classic Conservatism.

A senior Cabinet colleague described it as a prospectus for the post-socialist era: a few seconds later he offered the afterthought that it was also one for a post-Thatcherite world.

Over the coming days and weeks there will be many other labels applied to the manifesto for the first election campaign since 1979 that the Conservatives have fought without Mrs Margaret Thatcher. Some in the party will describe it as One-Nation. Some will insist that Mr Major has been true to the principles of his predecessor. Others will see in the document the outlines of the Conservative version of European Christian Democracy. They will all be right.

After just 16 months in Downing Street Mr Major neither wanted to, nor could have, abandoned the core of his party's agenda for the previous 11 years. He wanted to signal that there was substance behind the change in the government's style and rhetoric since November 1990. The result, in the words of one Cabinet minister, is a manifesto which represents "much more a shift of 45 degrees than a U-turn".

The first objective of the 29,000-word document (6,000 words longer than in 1987) is straightforward. The Conservatives want to demonstrate that 13 years in power has not left them bereft of imagination or energy; that a new prime minister has brought with him new and exciting ideas.

For all their public scorn at Labour's recycling of the "time

for a change" theme, senior ministers believe the popular perception that they held power for too long rivals the economic recession as the greatest threat on April 9.

The second aim is to persuade the electorate that the central economic truths of the 1980s have been obscured rather than discredited by the recession. That low taxes, low inflation, deregulation and enterprise, and curbs on trades union power remain the precondition for prosperity.

So there is much of which Mrs Thatcher would approve. The manifesto acknowledges the impracticalities of a big bang sale of British Rail's passenger services but the plans to lease services on a regional basis is a statement of future intent. British Coal is to be sold and "contractualisation" to the private sector of local authority and Whitehall services is to be accelerated.

The goal of stable prices is firmly restated. Those close to Mr Major say that he will be more serious about achieving it than his predecessor.

Ownership will be just as central to the Conservative agenda for the 1990s as it was in the 1980s. The manifesto promises further tax incentives to encourage savings and another drive to increase home-ownership through rent-to-mortgage schemes.

Tax cuts are there. Mr Major will not give a date for the achievement of 20p basic rate of tax. Nor will there be moves to drive down spending and borrowing: the document talks of a return "towards" rather than "to" budget balance. But the commitment to leaving people with more of their incomes remains. In some areas, the approach



Eyes right: Norman Tebbit with Norma Major (centre) and Vanessa Ford, her personal

press officer, at the launch of the Conservative manifesto. It is hard to imagine her sanctioning comments to a style of more open government or the creation of a Millennium Fund devoted to preserving the country's heritage.

In other areas the change of tone becomes one of substance. Mr Michael Heseltine's interventionism is stamped on the plans to regenerate the inner cities and the acknowledged

avoided departmental upheavals. It is hard to imagine her sanctioning comments to a style of more open government or the creation of a Millennium Fund devoted to preserving the country's heritage.

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Quotes of the day

It's all me - every last word of it is me!
John Major, replying to questions about how much of his own imprint, rather than Mrs Thatcher's, was in the manifesto

I wouldn't swap places with you. I have got a bit of an exam on April 9
Neil Kinnock to children he met on the way home from their school in north London

These are two no-hope manifestos
Paddy Ashdown

We are ready for talks at any time. The British government has talked to republicans in the past
Gerry Adams, president of Sinn Féin

He's trying to rope every fringe candidate into his own party, by calling it an alliance
Stuart Hughes, leader of the Raving Loony Green Giant Party who yesterday disassociated himself from Lord Sutch's Official Monster Raving Loony Alliance Party

If there's anyone really paying the price for a recession built on flummery and candyfloss, it is here
Paddy Ashdown on a visit to a training centre in Brentwood, Essex

My cabinet is the youngest this century. We will brighten the lives of everyone
John Major

Labour's tax plans could spell defeat in the battle to maintain lower inflation
Roger Young, director-general of the British Institute of Management

There is no reason why Eton or Harrow, or any other private school, should be entitled to the same tax advantages as Oxford
Paddy Ashdown on why private schools should not be given charitable status for taxation purposes

"I was made homeless by the Tory manifesto"



Good managers join the long march

By Ivo Dawdney, Political Correspondent

A DETAILED route map for the long march out of recession is its intention. But the real electoral message of Labour's manifesto is in the mood music.

The 28-page document adds little or nothing new to the three policy documents that have tracked the party's journey from electoral defeat in 1987.

Its title - It's Time to get Britain Working Again - is a fair reflection of the tone: pragmatic, patriotic, upbeat and perhaps a little plodding. High social-class dogma had been replaced by high reasonableness.

"We are the good managers now," is the theme.

When challenged after the manifesto launch as to why there was nothing new in the paper, Mr Neil Kinnock revealingly pointed to the £2.7bn in fresh resources allocated to economic recovery, the national health service and education under Labour's shadow Budget published two days earlier. That mercenary viewpoint is reflected in the closing pages on the day the election was announced.

In his foreword, Mr Kinnock

sums up Labour's aims as "down to earth" if coloured by values that insist that "to have real meaning" individual liberty must include community provision.

And so the manifesto proper begins. Its first six pages dedicated to the £1.1bn recovery package and the economy, in cautious and prudent language, it spells out that "as with any properly run business" the immediate programme must be part of a long-term strategy.

The section goes on to outline enhanced capital allowances for industry, an investment tax incentive for small businesses, the phased release of receipts from council house sales for new building and a skills and jobs programme.

It repeats today's pledge of £1bn for the NHS and £600m for education over the coming 22 months.

Under the title, Building a Strong Economy, Labour promises to be "a government which business can do business with". On inflation, an earlier plan to put restraints on bank lending is reduced to a vague pledge to "manage credit sensi-

bly". A firm commitment is made to maintain the value of the pound within the exchange rate mechanism. Tackling inflation will be left to promoting investment and improving skills.

Labour repeats its readiness to raise child benefit for all children to £9.95 a week and pension increases of 25 a week for a single person and £8 for a married couple.

On managing the economy, it offers an autumn State of the Nation report, followed by a period of evaluation by employers, unions and government which, it says, will have "an important influence" on collective bargaining.

Labour will halt the "deterioration" in public sector pay, but warns that this will be constrained within clearly defined limits. Investment will be lifted with a 25 per cent tax credit for investment in research and development for hi-tech industries.

On training, it says there will be a real partnership between government and industry "not an excuse to shift all the burden on to employers".

While a fair framework of union law will be created, strike ballots and union elections will stay, mass pickets will be banned and there will be no return to the laws of the 1970s.

On the health services and education, Labour repeats its intentions to reverse the opt-outs from the NHS and to put back schools under local authority control. Similarly, a lengthy chapter on social security, housing, local government, crime and the environment rehearses longstanding positions. On housing there is an unexplained pledge to end gaspumping and a commitment to let council tenants take up a "part rent, part buy" option.

A fair rates system to replace the poll tax is signalled.

Transport policy is flagged with a promise to review the roads programme. Deregulation and privatisation of buses will be halted. Labour will reform car tax to favour smaller, cleaner cars.

At the back of the book, Labour deals with the constitution. Interestingly, though the long-promised Scottish parliament, elected by the additional

member system of proportional representation is promised immediately, there is no time-scale put on the controversial issue of when English regional bodies might be set up.

"We will consult widely before finalising these proposals," the document says.

On the still more controversial issue of electoral reform for Westminster, Labour promises only that its working party on electoral reform will be expanded. In answers to journalists' questions, Mr Kinnock said that its findings may be discussed by another body.

Equally, on the promised reform of the House of Lords, the manifesto is equivocal about timing, though it gives a firm commitment to introduce fixed-term parliaments.

Under foreign affairs, it pledges not to increase the number of nuclear warheads above those deployed now. For the European Community, and the single currency, Labour pledges only "to play an active part in negotiations on economic and monetary union".

All in all, the manifesto offers few hostages to fortune.

At the back of the book, Labour deals with the constitution. Interestingly, though the long-promised Scottish parliament, elected by the additional

Estimates of costs still hazy

WHILE the Tories and Labour may be trying to appeal to business, neither has shown much business acumen in the production of its manifesto. Andrew Jack writes. Labour's document, of which 150,000 copies have been printed, is the cheapest to obtain. It costs £1.

But it did not know the printing costs, or how many it needed to sell to break even.

The Conservatives sell The Best Future for Britain - of which there are also 150,000 copies - for £1.95, and were equally unsure yesterday about production costs.

Changing Britain for Good, the Liberal Democrats' offering at £1.50, has reached 100,000 copies so far. It sells at a price equivalent to glossy up-market magazine.

said one official, who estimates that it will break even on sales of 70,000.

But who will buy them? One of the largest customers is the Civil Service. The Department of Trade and Industry said that it had bought 464 copies of each document for its staff.

HOW THE POLICIES FOR BUSINESS COMPARE

	CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
■ Taxation	Three bands: 20% for first £2,000 of taxable income, 25% to £27,000 gross earnings and 40% thereafter. 20% band to be gradually widened.	Abolish 2% NI contribution on earnings under £54 a week. Ceiling on NI contributions lifted. Three bands of income tax: 25% and 40% unchanged with 50% applying above £40,000.	1p on basic rate of income tax. Ceiling lifted on NI contributions. NI combined with income tax to make 35% rate for earnings under £33,000. A new 42% band to £50,000, 50% thereafter.
■ Investment	Private sector driven. Policies maintained.	National Investment Bank to bring public and private sector together to invest in long-term infrastructure projects. 40% capital allowance for 1 year.	Corporation tax reformed to encourage industrial investment. Bank of England made independent.
■ Business rates	To rise in line with inflation. Relief for businesses relocating.	To become a local tax.	To be frozen.
■ Small business	Some relief on inheritance tax. New bodies set up to give specialist help. Commercial lease reform studied. Loan guarantees to favour inner cities.	Fund for new investments. Network of one-stop advice centres. Rate rebates for small business.	Interest to be paid on overdue debt. Reorganise chambers of commerce and local enterprise agencies.
■ Industrial relations	Most part timers to get terms and conditions of work. Written consent required for deduction of union dues. Seven days notice for strikes. Adopt EC rules on maternity including 14 weeks minimum leave. Women to take at least 25% of public posts by 1996. Grants to help child care.	Statutory minimum wage of £3.40 an hour. Employees to be consulted over decisions which affect them. Right to union membership. Stronger laws against sex and race discrimination. Extended to help older and disabled people. Flexible decade of retirement between 60 and 70. Equal rights for part timers.	Encourage decentralised wage bargaining. Tax-free child care vouchers for employees. Strengthen sex discrimination laws. Flexible decade of retirement between 60 and 70.
■ Training and Education	Stronger links between DTI and Training and Enterprise Councils (TECs). Annual publication of schools' performance. Advanced Diploma for post-16 vocational courses. FE and 6th form colleges leave local council control.	Training levy on most businesses that do not train their own staff. Sixteen-year olds to have option of 4 years training. Training for those jobs for six months. TECs reformed. Max class size of 30. Five subjects at A-level.	2% payroll levy on companies which do not invest in training. Two-days a week training for under 19s in work. Grant maintained schools/city technology colleges to local authority control. Reorganise TECs. Max class size of 30.
■ Environment	New Environmental Agency to combine National Rivers Authority with Pollution Inspectorate. Press for EC to adopt UK pollution control rules.	CO2 emissions at 1990 levels by 2000. Business encouraged to have environmental audits. Trade in toxic waste banned. Cabinet Minister for Environmental Protection plus several executive agencies.	CO2 emissions cut 30% by 2005. New department of Natural Resources and independent Environmental Protection Agency. CFCs banned by 1994. Emissions licences issued to limit pollution.
■ Europe	Move sterling to narrow band of ERM. UK parliament to decide on EMU and single currency. Continue to resist changes to Treaty of Rome that would damage British industry. Resist pressure to extend EC competence.	Move sterling to narrow band of ERM. maintaining its value. Adopt Social Chapter of European Treaty.	Move sterling to narrow band of ERM. Accept Maastricht timetable for EMU without "opt out" clause. In favour of European Central Bank and single Euro-currency. Adopt European Convention on Human Rights. Move to political union.
■ Competition policy	Push for open European markets in life insurance, air travel, road transport energy. British Coal and rail services such as freight and some stations to be privatised. British Gas retail monopoly to be reduced. Local councils to be encouraged to sell airports.	Not discussed in manifesto, but policy is to use "public interest" criteria for mergers and acquisitions.	To break up "private monopolies" like BT and British Gas and introduce new Restrictive Practices Act. OFT to be charged with MMC and made independent. Companies to ballot shareholders over planned bids. More competition in banking.
■ Company regulation	Product regulation to be eased. Some regulations within homes to be made advisory rather than mandatory.	Half of pension trustees to be employees. Pensioners to be represented.	Part of competition policy.
■ Technology	Establish centres of technological excellence. Encourage transfer of people and technology from universities to businesses.	Data Protection Act to be strengthened "in line with Europe". 25% tax credit for spending on R&D. Technology Trusts to link academia and industry.	Establish regional technology transfer centres. Government science budget to rise to 0.35% of GDP.

Economic differences centre on tax policies

By Peter Norman, Economics Correspondent

BRITAIN'S three main parties are heading for the election with similar macro-economic and monetary policies but differ fundamentally over how to share the nation's wealth and foster its creation.

The Conservatives, Labour and Liberal Democrats accept a large public sector borrowing requirement in 1992-93 and the monetary discipline of the Bundesbank through the EMS exchange rate mechanism.

However, their manifestos highlight very different priorities on taxation policy and the role of the state in encouraging investment and growth.

Both Labour and the Liberal Democrats promise immediate action to combat the recession. Labour believes "Britain faces a huge task of national reconstruction" and makes investment

priority areas in its "National Recovery Programme". The Liberal Democrats want a "new impetus" and emergency investment "to end the slump" and cut unemployment by 600,000 in two years.

The Conservatives, by contrast, argue that the foundations of recovery have been laid. "What is needed to trigger confidence and growth is a Conservative victory with a decisive majority."

All three manifestos are carefully designed not to frighten voters. But deep underlying differences in philosophy are apparent between the Conservatives on the one hand and the Labour and Liberal Democrats on the other.

Taxation is one obvious area. The Conservatives promise to continue cutting personal taxes, reduce the threat of inheritance tax for home owners and also "lighten the burden of capital taxes and reform the taxation of savings".

Labour is for "fair taxes", which as this week's shadow Budget showed, means lower taxes for about 50 per cent of taxpayers and a sharp rising tax burden for those earning more than £22,000 a year.

The Liberal Democrats would reverse the government's plans for a 20p tax band and add 1p to the basic income tax rate to finance education spending. Looking further ahead, their manifesto aims to shift "the burden of taxation from the things the country needs more of - income, savings and value added - and on to the things we want less of, such as pollution and resource depletion."

What differentiates the parties is their attitude to market forces. The Conservatives want the free market to be the best guarantee of responsiveness to choice and change, but add that "the market should be our servant, not our master".

Labour says "Modern government has a strategic role, not to replace the market but to ensure that the market works properly."

Labour reserves the right to interfere in broad sectors of

the economy in pursuit of this. It plans, for example, to restore the National Grid to public control and secure the long-term future of the coal industry by reducing imports and other measures.

As part of its counter inflation policy, Labour would "manage credit sensibly" and "stop excessive price rises in water, electricity, telephones, transport and NHS prescriptions".

To strengthen the regions, the party would "establish new regional development agencies in England, strengthen Scottish Enterprise and the Welsh Development Agency and modernise regional incentives".

By contrast, the Conservatives promise more privatisation, competition and deregulation. They place a heavy emphasis on private ownership. Council house tenants will continue to enjoy a "right to buy" discounts and a nation-wide "rents to mortgage" scheme is planned. "Sustaining not just a home-owning but a capital-owning democracy is crucial to our vision for the 1990s", their manifesto says.

The Liberal Democrats plot a middle course, promising support for infrastructure investment, training and science and action to stimulate competition, break up monopolies, promote consumer rights and encourage decentralised wage bargaining. The Liberal Democrats are also unique in promising to make the Bank of England operationally independent and planning a "savings target" for the nation.

ELECTION 1992: The manifestos

Joe Rogaly

More of the same or take Kinnock on trust



If the Conservatives lose the election, it will be because of the recession. The manifesto held aloft by Mr John Major yesterday is nothing to do with the case. If Labour wins, it will be because of the recession - and the anodyne manifesto published by Labour yesterday.

Take the Conservative manifesto first. Some floating voters may back the friendly team that got us into the fine mess we're in now, but if they do it will be for fear of Labour, and therefore in spite of the slump. It will not be because of any radical or exciting new construct from the Tories, not even the firm promise to introduce a hedgehog incentive scheme, "to help preserve hedgehogs of particular historic landscape or wildlife importance". I have to tell you, Mr Major, that this will not help my hedgehog, which is merely of domestic importance.

What you see is what you get, said the prime minister yesterday. He was waving a copy of the Conservative manifesto. "It's all me," he added proudly. It is. The cover is an enormous blue print of the smiling face of Mr John Major. Put him back in No 10 Downing Street and you will get an intensification of the experience of the past 16 months -

collegiate cabinets, broad grin, Ciller's Charter, and all.

Others will vote for change. That means rule by the ex-socialist old lags who promise that they really are reformed this time, honest gov. Such voters are gamblers. They will have to take the Labour programme on trust. The entire Labour campaign is designed to convince waverers that there is nothing to fear from the new model Labour party. If this can be achieved, all the Opposition has to do is wait for the government to defeat itself. Not even Mr Neil Kinnock could have dreamed that the Conservatives would be so diligent in their efforts to auto-destruct.

There is, of course a third choice. Monday's Liberal Democrat manifesto does not offer an alternative government, but it does suggest a means of expressing a wish for a more effective political mechanism, such as a coalition. After the election, the Liberal Democrats will be lucky to command a couple of dozen seats. These could, in certain favourable circumstances, enable Mr Paddy Ashdown to lobby Labour in favour of constitutional reform. But his hopes are dashed. The Tories' falls heads or tails more often than it stands on edge. For the moment I say no more of the Lib Dems, whose manifesto is graced by a larger-than-life photograph of Mr Ashdown. The Conservative manifesto would

sound more radical were it not written under the cold eye of the Treasury. Mr Major has injected a sense of respect for the public services into the mix left behind by Mrs Margaret Thatcher, but he has done so from within the corridors of Whitehall. He has not been mean, but then, unlike Labour, he has no compelling urge to redistribute incomes and/or wealth from rich to poor. He reiterates past undertakings to increase child benefit in line with inflation, raise pensions for the worst-off recipients, and establish a 20 per cent tax band. That is not the end of his "caring" paragraphs. The Tories' national health service reforms are superior to anything Labour has to offer. They constitute an attempt to bring managerial discipline into a nearly unmanageable undertaking. Labour wants to save that promising scene for the health unions.

The tone of Mr Major's manifesto is generally defensive, but then the Conservatives have much to be defensive about. In spite of that, the document contains numerous small but useful ideas, many of which are to be commended. The prime minister's penchant for traditional teaching methods more than compensates for the few lunacies (such as a privatised inspectorate) in his plans for schools. The "millennium fund" financed from a state lottery, is well designed to catch headlines. The pro-

posed changes in the machinery of government are of intense interest to civil servants.

Let me pause here. The phrase "civil servants" defines the problem. Most of these New Conservative proposals bear the mark of close official scrutiny, earnest debate, submission, withdrawal, drafting and redrafting of papers and eventual compromise. This is a manifesto made by ministers who have forgotten the fear of losing office.

Unlike Labour, Mr Major has no compelling urge to redistribute income

That is why I believe that the Tories delude themselves when they say that the effect of their policies will be, in Mr Major's words, to put "you, and not the government... in charge of your life". The health and education reforms require greater control at the centre, in compensation for the further emasculation of local responsibilities. All the new (or recycled old) initiatives, not least the Citizen's Charter, add as much to ministerial power and patronage as they sub-

tract elsewhere. The proposal to govern London with a cabinet sub-committee is not worthy of discussion. As Labour's Mr Gordon Brown remarked at a recent meeting of Charter 88, the constitutional reform pressure group, "what the Conservatives offer is 88 charters". So does Labour, but Mr Kinnock at least throws in a (truncated) programme of constitutional reform, including a Scottish assembly. His party's manifesto, which to his credit has the flags of the four nations of Britain on its cover, is evidence that Labour's fiscal intent is redistributive, while its administrative purpose remains regulatory. It would return the monopoly power over state schools to local authorities. It would destroy the NHS reforms. Competitive tendering would become a last resort.

One of the sub-titles in Mr Kinnock's document is "a government which business can do business with". It is more likely to be a government which business has to do business with. It will have to pay the minimum wage, accept new employee rights, fork out for training, and answer daily letters from a host of quangos. Labour has a better appreciation than do the Tories of the deficiencies of our present governance, but it has not yet fully taken in the message from the east, that ministers really do not know best.

None of this is the old socialism. It is the new statism. It is not public ownership, but public control - control, that is, by officials and ministers. Nationalisation is dead. Long live regulation.

Supporters of Mr Kinnock may protest that this is to read more into the Labour manifesto than is really there. Certainly the drafting shows extreme care. Some of the language is positively Thatcherite. "The only way to defeat inflation... is to raise productivity". The phrases are all either designed to soothe, or to advertise. There will be a new body called British Technology Enterprise, a National Health Initiative, a Health Quality Commission, a Ministry for Women, an Education Standards Commission, a Food Standards Agency... the list exceeds the space available here.

Voters who take a chance on Labour have to believe that (a) all of this really is harmless tomfoolery while (b) Mr Kinnock and his colleagues will not, should they become ministers, revert to their aspirations of yesteryear. The difficulty is that the only way to find out for sure is to let them demonstrate their innocence while in office. The extent to which there is now a widespread willingness to take such a risk is evidence of just how fed up with the recession erstwhile Tory supporters have become.

Labour focuses on Scottish parliament

THE setting up of a Scottish parliament within 22 months of the election of a Labour government is the centrepiece of the party's Scottish manifesto, launched by Mr Roy Hattersley, Labour's deputy leader, in Edinburgh yesterday, James Buxton writes.

Mr Donald Dewar, shadow Scottish secretary, said the Scottish parliament would be able to legislate for local government, health, housing, transport and the environment, and would have powers over industrial development.

It would also have the power to "adjust basic rates of income tax". Labour has said in the past that the discretion would be limited to 3p up or down. The manifesto confirmed that the Scottish parliament would be elected by the additional-member system of proportional representation. Labour officials say they envisage an assembly of little more than 100 members, with one member for each of the existing 72 Scottish constituencies topped up by members elected from party lists.

Local government would be reduced to a single tier, with the number of local authorities left up to the parliament.

Scottish Enterprise and Highlands and Islands Enterprise, the development bodies, would set up their own investment banking divisions, working with Labour's National Investment Bank. A new body named Scottish Exports International would promote Scottish products abroad.

Parties back relocation plan

RELOCATION of a civil service unit from London to Aberdeen, leading to the creation of a European oil industry centre, will be promised in today's Scottish Conservative manifesto, Mr Ian Lang, the Scottish secretary said yesterday.

The plan involves about 80 civil servants from the Department of Energy's Exploration and Development Appraisal Unit, which negotiates and approves oilfield developments. It is calculated that this could save the government £7m.

Mr Neil Kinnock has said relocation would be a certainty under Labour. The Scottish National Party and Liberal Democrats also back the idea.

Pledges of aid for Wales are issued

NEW POWERS for the Welsh Development Agency to work with banks and financial institutions, a new Welsh exports service and an emergency economic programme including public works were promised by Mr Gordon Brown, the shadow trade and industry secretary, in Cardiff yesterday.

Mr David Hunt, the Welsh secretary, said the Tories would set up a Welsh Economic Council "as part of a national economic development drive for Wales".

Lib Dems look to stand out as a distinct option

By Ralph Atkins

MR PADDY ASHDOWN yesterday tried to clear a distinct pitch for his party by lambasting the Labour and Tory manifestos equally. Significantly, however, he gave a cautious welcome to Labour's stance on constitutional reform.

Mr Ashdown acknowledged that Labour's pledge to enhance its Plant committee report on electoral reform was a positive step. The Liberal Democrats would take part in a formal inquiry into alternative systems, he said, as long as legislation was guaranteed.

However, Labour's commitment to proportional representation in its manifesto was "gift-wrapped fudge".

Mr Ashdown continued to insist on PR as the prerequisite for his party's support in a hung parliament.

He refused to accept that could mean a pact only with Labour.

"As the Tory party faces the reality of defeat, they will be accommodating these sorts of ideas," he said. Labour was better to accepting reality, he believed.

The Liberal Democrat party supports the single-transferable vote system of PR but Mr Ashdown hinted that he might accept the German additional-member system where proportionality is ensured by topping up the parliamentary strengths of parties from lists. It has ruled out the alternative-vote system.

The Liberal Democrats are trying to set themselves apart from Labour so that the party is not seen merely as a soft alternative to Labour. They realise that a strong Labour showing in opinion polls would

send some wavering Tories back to the fold because of fears of a Labour government.

That would harm Liberal Democrat chances in the party's target seats.

Mr Ashdown said Labour's manifesto was "particularly disappointing" because of its timidity. "If they were writing the New Testament, they would be saying the meek can inherit the earth as resources allow."

Speaking on a tour of Essex and the Midlands, he added that the Labour and Conservative manifestos were "interchangeable". Neither passed the "hope test" or was sufficiently tough on tackling the recession, education and the environment.

"Only the Liberal Democrats have published a manifesto of fresh ideas, with hope for the future," he said.

Firepower sought for future attacks

By Alison Smith

THE Conservative's immediate attack on Labour's manifesto was in the form of a new poster, showing a red-covered document called "Labour manifesto" dropping on a doormat beneath the slogan "Oh no, it's a tax demand."

Unveiling the poster, which will be on display at 3,000 sites across the country, Mr Chris Patten, the Tory party chairman, called Labour's plans a "millstone manifesto".

"It charts the failures of the past, not the opportunities of the future... out of touch, out of date and out of order," he said.

For Labour, the main thrust of attack on the Tories' manifesto will be the idea of "same-old Conservatives" expressed by Mr Neil Kinnock, the Labour leader, and the claim that the document does not address the current economic difficulties.

"It is old, it is the reshaping of policies that have already failed," Mr Kinnock said, calling the manifesto "an excuse for the past".

"There are a few policies that have been lifted from Labour's proposals but there is nothing in there to get the economy going," Mr Kinnock added.

Each of the two main parties, however, will also use particular elements of its opponent's manifesto for ammunition in the days ahead. Each party must have been slightly relieved that there were few surprises in the other's plans, and is already saying that the other has produced no new ideas, and has failed to close off damaging lines of attack.

"Few forces have been shot," was the comment from one Tory aide.

Two specific areas already highlighted for targeting by Tory officials, beyond the cost of Labour's programme, are the future of privatised industries and Labour's defence policy.

Even without the scope for confusion between "public control" and "public ownership" of the water industry and the national grid, the Conservatives will exploit the increased regulation claimed.

They will claim that this could extend to other privatised utilities, hitting share prices.

As for defence, the Tories are confident that the Labour manifesto's broad commitment to keeping nuclear weapons and providing "whatever resources are needed" for conventional defence will not last the campaign.



Political extreme: Lord Sutch launches the Monster Raving Loony election manifesto

Parties have all to play for

By David Butler

THE Conservatives, reflecting on the recent polls which put Labour 5 per cent ahead, may seek comfort in three thoughts.

● Easy come, easy go. If in two days the polls can move from a 1 per cent to a 5 per cent Labour lead, they can move back again.

● Never believe a trend until it's been confirmed for several days over several polls. And even then, keep in mind the volatility of the current British electorate.

● Remember 1959. In the Macmillan election the Conservative government started 7 per cent ahead, slumped in the first 10 days of the campaign to a mere 2 per cent lead, and then in the final haul pulled back to a 7 per cent lead.

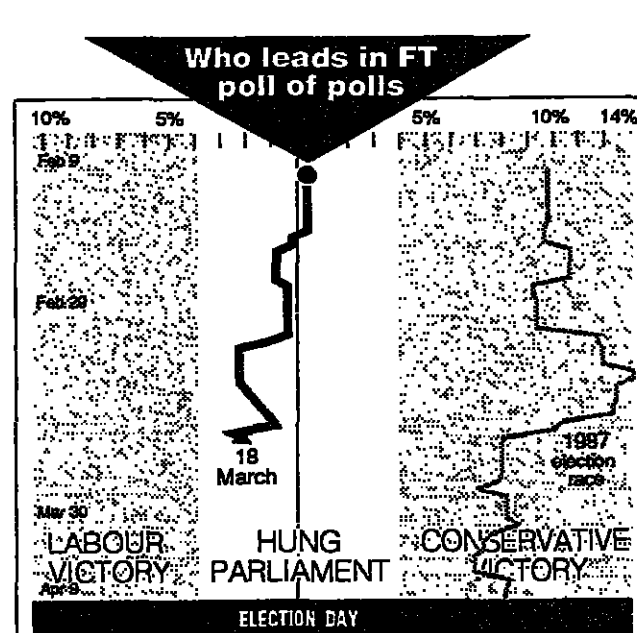
In fact, with three weeks to go, Labour must be very pleased with the evidence of the polls.

Everyone has heard of the height of the mountain that Labour has to climb. The 8 per cent swing needed for a clear majority is almost twice as great as the movement in any post-war election.

For the Labour party to be ahead at all must seem like a miracle to those who were in Walworth Road in 1987. However, to be looking at a winning margin must seem incredible.

Historical precedents are dangerous. The rates of the game change. But for 40 years no government has materially improved its poll position during the campaign.

In 1951, the Labour government started the election 11 per cent behind in the Gallup poll and, although they lost the



UK NEWS

ELECTION 1992: The Conservative manifesto

Personal choice a priority

The Conservatives pledge to move towards an income tax rate of 20p, continue the privatisation programme and maintain an independent line on monetary union. They intend to use British presidency of the EC to increase competition. The keynotes are responsibility and choice. Manifesto highlights are:



Team focus: prime minister John Major, flanked by his cabinet, set his sights on a return to Downing Street as the Tory manifesto 'The best future for Britain' was published

Foreign Affairs

We will support an enhanced role for the UN in peace-keeping and combating state-sponsored terrorism. We are determined that Iraq should comply with the terms of the gulf War cease-fire agreement, and in particular that it should co-operate with the UN in dismantling its weapons of mass destruction. We support early Russian membership of the IMF and World Bank, as well as a stabilisation fund for the ruble. We are co-operating with our partners to provide urgent help to the former Soviet Union and Eastern Europe to upgrade the safety of their nuclear power stations. We strongly support the peace process in the Middle East.

We will use overseas aid to promote good government, sensible economic policies, the rooting out of corruption, and crucially - respect for human rights and the rule of law. We will promote the development of multi-party systems through the new Westminster Foundation for Democracy. We will promote the English language by strengthening both the British Council and the BBC World Service.

Security and defence

We will complete the deployment of the next generation of Britain's minimum nuclear deterrent. We will order and complete the fourth Trident submarine. The Reserves will play an even more important role and we will introduce legislation to allow their more flexible use.

European Community

We will continue to resist changes to the Treaty of Rome that would damage British business. We will resist Commission initiatives which run counter to the principle that issues should be dealt with on a national basis wherever possible. We will work for a successful outcome to the Gatt negotiations. We will redouble our efforts to reform the Common Agricultural Policy. We will insist on more effective control over Community spending and will resist pressure to extend Community competence to new areas. Our priorities for the Presidency will be: To start negotiations with those EFTA countries who want to join the Community so that they can join by 1995. To build on the EC's Association Agreements with Czechoslovakia, Hungary and Poland so that we can welcome them to full membership by the year 2000. To conclude EC trade and co-operation agreements with the main republics of the former Soviet Union. To complete the single market and extend it to the seven countries of EFTA. We will provide guidance and help to any British company encountering a trade barrier illegal under European law. We will press for progress on the environment, including the Fifth Environment Action Programme.

Inflation and sterling

In the 1990s, the government's task will be to provide an economic environment which encourages enterprise - the mainspring of prosperity. Our aims must be:

- To achieve price stability.
- To keep firm control over public spending.
- To continue to reduce taxes as far as we prudently can.
- To make sure the market mechanisms and incentives are allowed to do their job.
- In due course, we will move to the narrow bands of the ERM.
- We will play our full part in the design and discussion of monetary institutions for Europe.
- When or if other members of the EC move to a monetary union with a single currency, we will take our own unfettered decision on whether to join. That decision will be taken by the UK parliament.

Route to lower taxes

We announced in the Budget an important first step towards a basic Income Tax rate of 20p. By applying a 20p rate to the first £2,000 of taxable income, we have cut taxes for all 25 million taxpayers, and taken the 4m on lowest incomes out of 25p tax altogether. We will make further progress towards a basic Income Tax rate of 20p. We will see the budget return towards balance as the economy recovers.

Homes and Inheritance Tax

We will aim to bring home ownership, share ownership and personal pensions within the reach of more families. We will continue to reform the taxation of savings, building on the success of Peps and Tesses. We will raise the tax threshold for Inheritance Tax so that the homes and savings of an increasing number of our citizens can pass unencumbered from one generation to another. We will encourage companies to make dealing in their own shares easier, especially for small shareholders, and encourage wider share ownership, through for example, the establishment of 'Share Shops'. We will abolish stamp duty on share transactions.

Business Taxation

We will continue to reduce tax burdens on business, as we have done this year for the motor industry, whenever it is possible to do so. We will abolish unnecessary licence and reduce the need for specific approvals for product design. We will back British companies encountering any discrimination, trade barriers or state subsidies that should no longer exist within the single market. We will back the regulators of the financial services industry in their efforts to achieve high standards while keeping the rule books down to manageable size.

Privatisation

We will continue our privatisation programme. British Coal will be returned to the private sector. So will local authority bus companies. We will encourage local authorities to sell their airports. We will end British Rail's monopoly. We will sell certain rail services and franchise others. The Ports Act 1991 has paved the way for the privatisation of the Trust Ports by competitive tender. We are privatising Northern Ireland Electricity and will privatise the Northern Ireland water and sewage services. We will bring private sector enterprise into the public services by encouraging contracting out and competitive tendering throughout government.

We will maintain our programme of compulsory competitive tendering of local authority services. We will ensure that competitive tendering is extended to white collar local authority services, such as those offered by lawyers, accountants, architects and surveyors. We will introduce new legislation giving stronger powers to deal with cartels.

Energy

We will continue to encourage competition in energy markets. We will progressively reduce British Gas' monopoly of the retail gas market, to give small users the same rights as big firms. We will privatise British Coal in a way that enables employees to enjoy a stake in the industry. We will increase our support for British Coal Enterprise which promotes economic regeneration in areas affected by the closure of mines, and has successfully assisted 76,000 people in finding new jobs. We will review the future of the nuclear industry in 1994. We are committed to safe and economical nuclear power.

Regional Policies

We will ensure that regional policy is well targeted. We will continue to support all parts of the UK in their campaigns to attract inward investment. We will give additional emphasis to upgrading skills and technology when allocating funds.

Small businesses

During the new Parliament, we will develop a new Enterprise Service to give small and medium-sized companies holiday brochures their most important strategic needs. Tecs and Lecs will be closely involved in developing and implementing this new initiative.

Consumer affairs

We will introduce legislation designed to give consumers confidence that what they purchase is properly described and that adequate compensation is held in discharge of their requirements are not met. We will enable the courts to override unfair terms in contracts and improve our powers to deal with rogue traders. We will tighten up the rules on holiday brochures and contracts, and introduce a 'cooling-off' period into time-share contracts. We will introduce legislation to simplify trade mark registration and extend the rights they confer.

Citizen's Charter

The Audit Commission will be able to publish league tables of performance including each local council and health authority so that people can compare the quality of service. We will ensure that inspection reports are published and widely available. We will require British Rail to tighten its targets for reliability and punctuality on all lines, and report monthly to passengers on how it is doing. London Underground will publish its own Charter. We will expect Post Offices and Job Centres to set our standards of service and levels of achievement. A new Charter Mark award will give recognition to those parts of the public service that best meet Charter standards. We will act to ensure that private firms bidding to improve local authority public

services are not obstructed by unscrupulous practices in councils or unfair contracts. We will encourage the wider use of performance pay inside the Civil Service and in other parts of the public service. We are ensuring that the regulators have the powers they need to promote competition and safeguard the interests of the customer by controlling price increases. We will increase competition in the gas and water markets.

The Post Office

We are committed to maintaining a nation-wide letter service, within a uniform structure of prices, and with a nationwide network of post offices. We will lower the limit on the Post Office monopoly much closer to the level of the first class stamp. We will consider requests to license limited specialist services to compete with the Post Office monopoly.

Whitehall

We will give a Cabinet Minister responsibility for the Citizen's Charter programme and reforming the Civil Service, taking charge of the Citizen's Charter Unit, Efficiency Unit, the programme for creating Agencies and the Public Competition and Purchasing Unit. We intend to create a new department, under a Cabinet Minister, with responsibility for broadcasting, arts, sport, tourism, the national heritage and the film industry. We will transfer the core responsibilities of the Department of Energy to the Department of Trade and Industry and responsibilities for energy efficiency to the Dept of the Environment, ending the need for a separate department.

Small businesses are the seedcorn of our future prosperity. We believe the Department of Trade and Industry should take over responsibility for them. We also want to strengthen the links between the DTI and the highly successful Training and Enterprise Councils.

Responsibility for overseeing all financial services will be brought together in the Treasury, in line with the practice adopted in most other advanced countries. New programmes for regenerating our inner cities are outlined in this manifesto. Responsibilities will be brought together in the Department of the Environment. We are determined to ensure that women in the workforce realise their full potential. We will transfer from the Home Office to the Department of Employment the lead responsibility for coordinating government policy on issues of particular concern to women.

Open government

We will review the 80 or so statutory restrictions which exist on the disclosure of information - retaining only those needed to protect privacy and essential confidentiality. We will seek to provide greater access to personal records held by government. We will be less secretive about the workings of government. For example, when the Committees of the Cabinet are reconstituted after the election we will, for the first time, set out their names and membership. We will update and - for the first time - publish the guidance for Ministers on procedure.

Education

We will complete the introduction of the National Curriculum offering 10 subjects at a

nationally-defined standard: English, Mathematics, Science, History, Geography, Technology, Art, Music, PE and, in secondary schools, a foreign language. Regular and straightforward tests will be in place for all 7,11 and 14 year-olds by 1994. GCSE at age 16 will be integrated into the National Curriculum, with a new A+ grade to test the most able. The majority of marks will come from a written exam. We will continue to encourage the creation of nursery places.

Full information will be published annually about the performance of all local schools in each area. Popular schools which are over-subscribed will be given the resources to expand. The Technology Schools Initiative will be expanded across the country. Existing schools which opt for GM status will be able to emulate City Technology Colleges and attract private technology sponsorship. We will maintain the Assisted Places scheme, which gives access to independent education to many families who could not otherwise afford it.

We will develop an Advanced Diploma which can be earned by students pursuing either academic or vocational courses, and a new General National Vocational Qualification.

Training

By the end of the new Parliament, the new system of National Vocational Qualifications should cover virtually every occupation in the economy. The CBI's training targets envisage 80% of young people reaching NVQ level 2 by the end of the new Parliament. We intend to make training credits available to all 16 year-olds and 17 year olds within the lifetime of the new Parliament. The TECs will continue to be responsible for the YT programme for this age group. We will continue to finance training programmes for the long-term unemployed and those who face particular difficulties. We will launch with the TECs a new initiative, giving people a voucher with which they can buy a 'skill check' providing assessment and guidance on how to make the most of their working lives.

Workers and unions

We will require employers to give everyone who works for them more than eight hours a week a clear written statement of their terms and conditions of employment. We will make automatic deduction of union membership dues without written authorisation unlawful. We will take measures to give individuals greater freedom in choosing a union. We will legislate to require that all pre-strike ballots are postal and subject to independent scrutiny, and that at least seven days' notice of a strike is given after a ballot. People who use public services will have the right to restrain the disruption of those services by unlawful industrial action.

Police

We are continuing to increase police numbers. There will be 1,000 extra police officers this year. We will set up a working party to examine what more can be done to protect the police and members of other emergency services from assault. Joy-riders will now face prison sentences of up to 5

years, unlimited fines and unlimited driving bans. We will extend the maximum sentence for causing death through dangerous or drink driving. We will sustain our massive prison reform and building programme. We will introduce a major Criminal Justice Bill in the lifetime of the new Parliament. We will bring forward proposals for reform of Sunday Trading laws once the legal position has been made clear by the European Court of Justice.

Pornography, privacy, libel

British domestic controls on pornography will remain in place even after the completion of the single European Market. Racial and sexual discrimination have no place in our society. We have given the police stronger powers to deal with racial hatred. We will continue to ensure that the full force of the law is used to deal with racial attacks.

Community relations

Racial and sexual discrimination have no place in our society. We have given the police stronger powers to deal with racial hatred. We will continue to ensure that the full force of the law is used to deal with racial attacks.

Immigration

Asylum Bill to be reintroduced in the new Parliament to create a faster and more effective system of determining who are genuine political refugees, and who are not.

Health

We will, year by year, increase the level of real resources committed to the NHS. Savings made through greater efficiency will be ploughed back into the Service. We will continue to develop the NHS Trust movement which places responsibility for managing hospitals and other services with local teams who are closest to patients. We will ensure that the benefits of fundholding arrangements are available to any GP who wishes to apply, and we will be ready to extend the scope of the scheme further as it develops.

Patient's Charter

Binding guarantees will be set locally for in-patient waiting times, starting with the operations where waiting causes most distress. To ensure that progress on waiting times continues, we intend that from 31 March 1993, no one should have to wait more than 18 months for a hip or knee replacement, or a cataract operation. We are sure that, as now, many hospitals will be able to do better than this. We will move to a system under which a named nurse or midwife will be responsible for your care while you are in hospital. We will set specific targets for out-patient waiting times.

Children and retirement

We will ensure that the standards implemented through the Children Act are applied sensibly, and do not discourage private of voluntary arrangements which are often best suited to the needs of children and parents. We will carry forward a family support initiative, encouraging the voluntary sector to work in partnership with families and local authorities.

BR's accounting systems and internal structures will be reorganised. One part of BR will continue to be responsible for all track and infrastructure. The operating side of BR will continue to provide passenger services until they are franchised out. Our aim will be to franchise out services in such a way as to reflect regional and local identity and make operating sense. We want to recover a sense of pride in our railways and to recapture the spirit of the old regional companies. We will sell BR's freight operations outright. We will also sell its parcels business. We will be prepared to sell stations - which we want to be centres of activity - to franchisees or independent companies. The Railway Inspectorate will be given full powers to ensure the highest standards of safety. We will improve road transport by investing £6.3bn in our trunk road and motorway network over the next three years, concentrating particularly on bypasses. Privatising the remaining 39 local authority bus companies. Deregulating buses in London and privatising the London Buses subsidiaries. A new London Bus Executive will be responsible for bus stops, stands and stations and for contracting out socially necessary services. Changing the system under which motorway service areas are provided. Encouraging action internationally, and within our own motor industry, to promote more fuel-efficient vehicles. We will further liberalise transatlantic air services and encourage more international flights to and from regional airports. We will encourage local authorities to sell their airports. We will seek to privatise the Docklands Light Railway during the lifetime of the next parliament.

Brighter Britain

We will maintain mortgage tax relief. We will introduce a nationwide 'Rights to Mortgage' scheme, enabling council tenants to take a part-share in their home, gradually stepping up to full ownership. We will put more of the Housing Corporation's £2bn budget into Do-It-Yourself shared ownership. We will introduce 'Commonhold' legislation, giving residential leaseholders in blocks of flats the right to acquire the freehold of their block at the market rate. Leaseholders of higher rated houses will also be given the right to buy the freehold of their property. Leaseholders who live in a block which does not qualify will have a new right to buy an extended lease. We will introduce statutory time limits for answers by local authorities to standard inquiries by house-buyers. We will extend nationwide the scheme we have piloted to increase private renting, whereby housing associations manage properties. As soon as possible in the new Parliament, we will introduce a new 'Rent a Room' scheme under which homeowners will be able to let rooms to lodgers without having to pay tax on the rent.

Meeting housing need

We will revolutionise management of council houses and flats. Compulsory competitive tendering will oblige local authorities to bring in managers. We will give tenants a new Right to Improve, so they can receive compensation for certain home improvements. We will work with the Housing Corporation to establish an Ombudsman for housing association tenants. We will set up a Task Force headed by an independent chairman - to help bring empty government residential properties back into use.

Cities

We will continue to extend City Challenge and allocate a greater proportion of resources by competitive bidding. We will bring together resources for targeted inner city programmes into a single budget. New, integrated regional offices of the appropriate Whitehall departments will be established. We will establish a new Urban Regeneration Agency to pull

Towards the millennium

The Millennium Fund We propose to introduce a national lottery from 1993, which would help provide funds for a number of good causes in the arts, sports, heritage and charitable fields, and from which some funds would be put aside for a Millennium Fund. The Millennium Fund could be used, for example, to restore the fabric of our nation; our great inheritance of buildings, which symbolise and enrich our national life.

ELECTION 1992: The Labour manifesto

Recovery tops the agenda

Labour says it would build the economy, modernise the National Health Service and raise the standards in schools. It also stresses a commitment to constitutional reform, more importance for the family and community, and a greater role for Britain on the international stage. Manifesto highlights are:

Immediate action for national recovery

TODAY, millions of people fear losing their jobs, their homes or their business. The new Labour government's National Recovery Programme will start to remove that fear, with immediate action on investment, jobs and training. It will combat recession by building sustained and sustainable recovery for the future.

We will provide enhanced capital allowances to encourage companies immediately to bring forward manufacturing investment in new machinery and plant, innovation and design. They will last for a limited period.

We will introduce an investment tax incentive tailored to the special needs of small businesses.

We will immediately begin the phased release of receipts from the sale of council houses, land and property to allow local authorities to build new homes and improve old ones.

We will allow British Rail to proceed with a leasing scheme of 188 new Networker trains on the North Kent line - the first step in securing private investment to help modernise Britain's railways and protect our environment.

Housing investment will generate jobs. We will also establish a work programme, combining three days' a week work for the unemployed - paid at the proper rate - with two days' training and job seeking. The programme, which can be quickly and easily established, will allow us to start bringing down unemployment immediately.

We will restore last year's training cuts which caused so much damage to training for young people and the unemployed. We will establish a new cash-limited Scheme for the 90c fund, with an initial budget of £200m to upgrade the training of those in work. Investment will be targeted particularly at areas of skill shortages.

Over the next 22 months, additional resources of at least £800m will be available for investment in education. Among other projects, this will help to tackle equipment shortages and the backlog of school repairs.

Over the next 22 months, additional resources of at least £1bn will be available for investment in the National Health Service.

We will extend the exemption from tax which applies to workplace nurseries to all forms of employer assistance with childcare.

Building a strong economy

Labour's economic policy rests on one simple, common sense fact. The only way for Britain to build a strong economy is to make the goods and services which people at home and abroad want to buy.

Business needs sustained and balanced growth, stable exchange rates, steady and competitive interest rates and low inflation. We will deliver them.

To curb inflation, Labour will maintain the value of the pound within the European Exchange Rate Mechanism. We will manage credit sensibly. We will stop excessive price rises in water, electricity, telephones, transport and NHS prescriptions.

We will introduce fair taxes. The most effective way to reduce poverty quickly is to increase child benefit and pensions and take low-paid people out of taxation. To achieve these goals, we will reform the national insurance and income tax system.

We will increase child bene-

fit to \$9.95 a week for all children, with the full value going to every family.

We will increase the basic retirement pension by an extra £5 a week for a single person and £8 for a married couple.

We will abolish the 2 per cent national insurance contribution on earnings under £54 a week - effectively a £56 annual entry fee into the national insurance system.

We will take 740,000 taxpayers out of taxation altogether, by increasing the personal allowance and wife's earned income allowance by more than inflation. Married couples will have the option of splitting the married couple's allowance between them as they choose.

The basic rate of tax will remain unchanged at 25 per cent, as will the 40 per cent rate. A new top-rate income tax of 50 per cent will apply to individuals with an income of at least £40,000.

Labour's tax and benefit changes are self-financing. They are fair. And they will make every individual employee on earnings up to at least £22,000 a year better off.

Every autumn, we will make a State of the Nation report on the British economy.

In order to provide honest information about the state of the British economy, we will make the Central Statistical Office independent.

We are determined to make a swift reduction in unemployment by immediate action for unemployed people, as well as direct investment to create thousands of new jobs.

An Investment Decade for Britain will start with the immediate introduction of enhanced investment allowances. We will help Britain's high technology industries with a 25 per cent tax credit for additional investment in research and development.

Small firms will be assisted with a new investment scheme, combining a cash-limited fund for new investments with tax incentives tailored to their special needs.

Labour will work with industry to establish British Technology Enterprises and create Technology Trusts throughout Britain, helping firms turn good ideas into commercial products.

Labour's Minister for Science will develop a national strategy to promote high-quality science and technology. We will strengthen our regional economies. We will establish new Regional Development Agencies in England, strengthen Scottish Enterprise and the Welsh Development Agency and modernise regional incentives.

Labour's National Investment Bank, operating on strictly commercial lines, will bring public and private sector together to invest in long-term regional and national infrastructure projects.

Small and growing businesses will have a new deal. As well as the lowest possible interest rates, they need the backing on which their competitors can rely in France and Germany. Labour will establish a network of one-stop advice centres. We will give special attention to the establishment of small businesses by women, and members of the ethnic minority communities.

We will invest in modern transport. It is absurd that French Railways can raise funds for new investment in the City of London, when British Rail is not allowed to do so.

We will remove these restrictions. Leasing schemes will be financed at relatively little cost to the public sector borrowing requirement. Private finance will also be mobilised for a high-speed rail network which will eventually link every region to the Chan-

nel tunnel, with proper environmental safeguards.

We will improve energy supplies. Britain is well placed with reserves of coal, oil and gas which must be husbanded in a national energy policy. We will encourage enhanced recovery of oil from the North Sea and avoid becoming over-dependent on imported fuel. We will meet our international obligations to reduce harmful chimney emissions.

We will restore public control of the National Grid and give it new duties and powers to ensure the long-term security of electricity supplies. We will secure the long-term future of the coal industry by reducing imports, stopping the "dash for gas" and reining back on open-casting. We will retain the Department of Energy and move its petroleum engineering directorate to Aberdeen.

A critical task is to upgrade the skills of people in work. Training and Enterprise Councils will be retained.

There will be a fair framework of law for both employers and unions. There will be no return to the trade union legislation of the 1970s. Ballots before strikes and for union elections will stay. There will be no mass or flying pickets. But our individual employees are entitled to be treated at least as fairly as their colleagues in Europe.

We will opt in to the Social Chapter of the new European Treaty and introduce employment standards common in successful economies.

We will give all employees equal rights and status under the law. We aim to guarantee every woman in employment the right to 14 weeks' maternity leave on full pay, and to give fathers paternity leave.

Employees will have new rights to be consulted and informed about decisions which affect them, as well as the right to union membership and representation. We will restore union rights at GCHQ.

We will end the scandal of poverty pay and bring Britain's national wealth invested in education.

We will offer nursery education to three- and four-year olds. Within six months, every local education authority will have to set targets for steadily increasing nursery and childcare services.

Teachers will be guaranteed a proper salary and career structure. A General Teaching Council for England and Wales will help them achieve the highest professional standards.

Within 12 months we will end the scandal of primary school classes of over 40 children.

Nine out of 10 children of secondary school age are in comprehensive schools. We will end selection at 11 where it still exists. We will introduce a fairer system for all school reorganisations, with independent public inquiries.

We will phase out the assisted places scheme (without affecting pupils currently on a place, or offered one). Because the national curriculum cannot be properly taught without new textbooks, we will earmark funds for class and library books. We will start this year by giving every primary school £10 per child for investment in books.

We will start to tackle the backlog of school repairs. For instance, we will invest £20m to ensure that within 12 months, no child has to use an outside lavatory.

Conservative plans to privatise the schools' inspectorate will be scrapped. Our Education Standards Commission, together with Her Majesty's Inspectors, will monitor the performance of every school. If a school is underperforming, the commission, which will be

answerable to parliament, will have the powers to ensure that it is brought up to standard.

National Awards, similar to the Queen's Award for Industry, will encourage excellence in schools.

We will reform the Conservatives' scheme for the local management of schools. All schools will be free to manage their day-to-day budgets, with local education authorities given a new strategic role. Opted-out schools will be freed from central government control and, together with City Technology Colleges, brought into the mainstream of the local school system.

Home-school contracts will tell parents exactly what the school undertakes to deliver and what their responsibilities are. If they are dissatisfied with the school or education authority, they will be able to call in the Education Standards Commission and get action taken.

We wish to see the key role of church and other voluntary-aided schools secured and available equally and on the same criteria to all religions.

Labour will modernise the national curriculum and apply it in all schools. From the age of 14, pupils will study five essential subjects: English, mathematics, science, a modern language and technology. Every pupil will also be offered a wide range of academic, technical and other options.

We will establish a five-subject A-level and bring it together with technical qualifications into our new Advanced Certificate. Open to part-time and full-time students of any age, it will include "credits" which can be transferred between different institutions.

Seventeen-year-olds not in full-time education will be entitled to a new traineeship lasting for up to two years, with an option of a further two years. Every young person in employment will be guaranteed the right to Learn While You Earn.

The student loan scheme detests many bright youngsters from poor families. We will replace it with a fairer system of student grants and targeted help for housing and vacation hardship. We will take effective steps to safeguard standards throughout higher education.

We will stop the Conservatives' adult education cuts.

Raising standards in our schools

Labour will modernise Britain's schools. Over the next 22 months, additional resources of at least £600m will be made available for investment in education. We will then continue steadily to increase the share of Britain's national wealth invested in education.

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We will stop the Conservatives' adult education cuts.

Best future for families and communities

Britain's families deserve the support which families receive in other European countries. We will increase child benefit for 7m families. Higher pensions and related benefits will benefit another 12m people. We will reform the tax and national insurance system and take 740,000 people out of tax altogether. After the first year's extra increases, we will restore the link between increases in the basic pension and prices or earnings, which ever is higher.

Britain's national insurance system is far more efficient than private insurance. We will explore ways of opening it up to new groups such as low-paid and part-time workers.

Labour will end the Conservatives' freeze on benefits for widowed mothers and other lone parents. We will encourage parents on income support to claim maintenance by allowing them to keep part of it before benefit is cut.

We will restore nutritional guidelines for school meals and reverse the cuts in free school meals as soon as possible.

As resources allow, we will improve and extend the invalid care allowance.

Labour will develop a flexible decade of retirement between the ages of 60 and 70, so that men and women can choose to retire on a full pension or continue in work without discrimination.

Our new National Pensions Plan, building on the State Earnings Related Pension Scheme, will offer people now in work a pension based on their 20 best years' earnings. Those who are self-employed will also be able to join. Occupational and personal pension schemes will have to guarantee a minimum pension before they can contract out, and guarantee equal treatment for men and women.

We will reform means-tested benefits, replace the Social Fund, and restore benefit rights to 16 and 17-year-olds as soon as possible. To relieve anxiety about funeral costs, we will make a funeral payment of £800 available on request. The costs will in most cases be recovered from the deceased's estate, although small estates will be disregarded.

Labour will abolish the poll tax immediately. We will replace it with our Fair Rates system, related to people's ability to pay. We reject the Conservatives' unfair banding and discount system which would create a property poll tax. We will modernise the valuation system to ensure that properties are fairly assessed.

Abolition of the minimum 20 per cent contribution - which will be of particular help to young people - will be followed by an improved rebate system, with special help to retired people on low incomes living alone. Business rates will become a local tax again, with rate rebates for small firms.

Labour will establish mortgage rescue schemes throughout the country. Housing log books and an end to gazumping will also help home-buyers.

Labour will increase the number of homes for rent by establishing a Housing Bank to facilitate the financed use of councils' capital receipts and offer investment capital at attractive rates of interest.

Council tenants will be guaranteed real rights over their homes.

Compulsory competitive tendering will be abolished, but the Quality Commission will have the power, where services have broken down, to insist they are put out to tender, with contractors required to meet conditions such as quality thresholds and fair employment.

A modern democracy

It is time to modernise Britain's democracy. Central to Labour's purpose in government is our commitment to radical constitutional reform. Our Charter of Rights, backed up by a complementary and democratically bill of rights, will establish in law the specific rights of every citizen.

We will start in our first Parliamentary session with a Freedom of Information Act.

We will give power to the nations and regions. We will move immediately to establish an elected Scottish Parliament.

In our first year, we will introduce a new Welsh Language Act. We will establish in the lifetime of a full Parliament an elected Welsh Assembly in Cardiff with powers and functions which reflect the existing administrative structure.

A regional tier of government in the English regions will take over many powers now exercised nationally, such as regional economic planning and transport.

To simplify local government in England, we will establish "most purpose" authorities generally based on district councils. We will consult widely before finalising proposals.

London is now the only European capital without the advantage of its own elected strategic authority. Labour will give Londoners the right to elect a new Greater London Authority.

The provision of water is so fundamental that it is a priority for return to public control. Labour's independent Food Standards Agency will ensure high food quality standards. Our Department of Food and Farming will offer British

farmers and consumers a better deal. Subsidies for production will gradually be replaced with green premium payments to promote environmentally sound management of the countryside.

We will transform transport policy by ensuring, for the first time, that all road, railway, aviation, shipping and inland waterway transport projects are judged on an equal basis, taking account of their environmental, social and economic impact.

Within six months, we will review the roads programme and mobilise private capital for large-scale public transport investment.

We reject Conservative plans to privatise British Rail. Instead we will modernise, setting clear performance targets to improve the quality of service, expand electrification and shift more freight from road to rail.

We will end the deregulation of buses, introduce bus priority measures integrated with new rapid transit systems within a "green light" programme designed to encourage people to transfer to public transport. Proper concessionary fare schemes will be developed in every area.

We will reform transport taxation in order to encourage smaller, cleaner cars and the use of catalytic converters. Company cars will be fairly taxed.

We will seek to reverse the unacceptable decline in Britain's merchant navy and encourage the greater use of British-owned and crewed vessels.

We will establish a new independent transport safety inspectorate within the health and safety legislation to improve the safety environment.

We will not invest in new nuclear power stations, continue with those in the planning process or extend the lives of existing nuclear stations beyond their safe life span.

Britain in a new world

We need a new government to grasp new opportunities. A Labour government ready to exploit Britain's unique, inter-linking membership of the United Nations Security Council, Nato, the Commonwealth, the European Community and the G7.

It's a new chance to provide genuine security for Britain. Unlike the Tories, we recognize that disarmament negotiations and technological change can bring about problems for our defence industries. Nearly 100,000 jobs have already been lost during the past two years and 123,000 more are in danger.

The Labour government will set up a Defence Diversification Agency to assist workers, communities and companies affected by change.

The Labour government will promote Britain out of the European second division into which our country has been relegated by the Tories.

We shall play a positive role in negotiations on Economic and Monetary Union. We shall fight for Britain's interests, working for Europe-wide policies to fight unemployment and to enhance regional and structural industrial policy. The elected Finance Ministers of the different countries must become the effective political counterpart to the central bank whose headquarters should be in Britain.

As part of the evolving role of the regions of Europe, we will establish a Scottish representative office in Brussels and seek appropriate representation for the Scottish Parliament in European institutions. We shall seek fundamental changes in the wasteful Common Agricultural Policy.

We shall make the widening of the Community a priority.

The Labour government will aim to meet the United Nations aid target of 0.7 per cent of GNP within five years - the lifetime of a full Parliament.



Workforce: Labour leader Neil Kinnock and his frontbench team launch the party's campaign yesterday, trading under the slogan 'It's time to get Britain working again'

UK NEWS

ELECTION 1992: Campaign in the regions

NORTHERN IRELAND

Disturbing the peace of Ulster's 'Gold Coast'

THE NORTH DOWN constituency in Northern Ireland is like no other in the province.

Here is the "Gold Coast" commuter belt of Northern Ireland, where a dozen golf courses and the ubiquitous two-car garages, horse-boxes and boat-trailers define the lifestyle of the business executives and senior civil servants who run the province.

The buzz of lawnmowers and chatter of birdsong are all that are likely to intrude upon the silence, not the blast of Semtex or bursts of gunfire - even though the Falls and Shankill roads of Belfast are just 15 minutes' drive away.

But North Down is about to become the most hotly contested seat in the Northern Ireland general election campaign.

Tim Coone on a four-way battle with crucial implications amid the golf courses of the North Down seat.

Mr Jim Kilfedder, an independent Unionist and MP for 22 years, is defending a 3,900 majority against a three-pronged assault - from another Unionist, the Conservative party and the non-sectarian Alliance Party. The nationalist SDLP does not normally stand in North Down, as it has little local support. This is one of only four Ulster seats it is not fighting.

The outcome will have little influence on the overall election result, but could have a crucial bearing on the future of Northern Ireland politics.

The campaign is not being fought on tax cuts or government spending. All the candidates agree it is being fought

over the future form of government for Northern Ireland.

The Conservative party is for the first time mounting a concerted challenge to the Unionist, fielding candidates in 11 of the province's 17 constituencies. North Down, which would be a "natural" Tory seat anywhere in England, is where they stand the most chance of success.

Mr Laurence Kennedy, the Conservative candidate and the party's leader in the province, says: "Unionism and nationalism is responsible for so much that has gone wrong in Northern Ireland."

But all is not well in the Tory camp - the Conservative government, through the

Anglo-Irish agreement, is committed to an eventual devolved government in Ulster; the Northern Ireland Conservatives are not.

"Conservative policy on Northern Ireland is very non-specific," says Mr Kennedy. "We want the province governed in a similar way to the rest of the UK, with stronger local authorities and more attention paid to Northern Ireland at Westminster."

Local authorities in Ulster "currently only have powers to supervise rubbish collection, playgrounds and to bury the dead". Greater powers, he says, will create the opportunity for the minority nationalists to exercise greater influence.

Mr Kennedy is disappointed that Mr Peter Brooke, the Northern Ireland secretary, "has not come out and said that people here should join and support the Conservatives". It is doubtful that any senior ministers will be showing the flag in North Down during the campaign.

This weakness in Mr Kennedy's campaign is being exploited by his opponents. Mr Kilfedder claims that more than 80 prominent Tory figures have written to him declaring their support. In the event of a hung parliament, there is no doubt where his allegiance will lie: "I will be voting with John Major."

Mr Kilfedder's crypto-

conservatism is exploited by traditional Unionists. For the first time since he won his seat in 1970, he is being challenged by a Unionist - Mr Danny Vitty of the Rev Ian Paisley's Democratic Unionist Party.

Mr Vitty describes both Mr Kennedy and Mr Kilfedder as "wolves in sheep's clothing". He says: "They cannot stand on both sides of the fence. They cannot be true Unionists as well as Conservatives."

His campaign will focus on the Unionist goal of ending the Anglo-Irish agreement. "We will use the opportunity of a hung parliament to negotiate from a position of strength," he says.

He believes that the maver-

ick Mr Kilfedder, who split from the Unionist Party in the mid 1970s over his refusal to take the whip on a range of policy issues, will not win hard-core Unionist support. He is confident that the 5,000 new voters in the Protestant middle-class and working-class housing estates that have sprung up in North Down in the past five years will vote for him.

Mr Addie Morrow, the Alliance candidate, hopes the divisions in the Conservative and Unionist ranks and the failure of either tradition to resolve Ulster's problems will create space for his party with its liberal, non-sectarian profile, to win its first Westminster seat.

"If we can achieve a breakthrough it will change the whole face of Northern Ireland," he says. His party stands for a devolved administration in Ulster and power-sharing between the two communities.

Whether an independent such as Mr Kilfedder can rely on his personal popularity to survive remains to be seen. At his seaside home in Bangor a portrait of Queen Victoria hangs on one wall. Framed pictures of the British and Irish parliaments hang on opposing walls in another room.

Contemplating the multiple challenge to his seat, Mr Kilfedder looks out at the small harbour in front of his house and laments he does not have time to go boating. "I don't even play golf," he confesses.

NORTH-WEST

Vulnerable seats win Olympian cash gifts

IF THE government could be accused of trying to bribe any group of voters close to the election, those in north-west England are a likely nomination.

The £55m for the Manchester bid for the 2000 Olympic Games, £50m to improve areas near Olympic sites and £27m for the Hallé orchestra's new concert hall emphasised the region's electoral importance.

It contains more than 20 of the Conservatives' 100 most vulnerable seats, the largest number of any region other than London.

Three ministers - Mrs Lynda Chalker (responsible for the environment), Mr David Trippier (environment) and Mr Robert Atkins (sport) - are among those at risk.

Labour has 38 of the north-west's 79 constituencies, the Conservatives have 37 and the Liberal Democrats four. Ribbles Valley, won in a 1981 by-election with an astonishing swing of 18.75 per cent on the single issue of the poll tax in what appeared to be safe Tory territory.

To win an overall majority Labour needs a nationwide swing of about 8 per cent. In north-west England this would give it 19 Tory seats. Davy-hulme, which is held by Mr Winston Churchill, would fall at 8.1 per cent and Blackpool North at 8.5 per cent. Mr Kincock will need such gains to realise his hopes of a 20-seat working majority.

The region is the UK's second biggest after London and

Ian Hamilton Fazey on why the region is vital to the national result

the south-east, and accounts for a tenth of gross domestic product. The population totals more than 7m, with about 3.5m and 1.4m in Greater Manchester and Merseyside respectively, and the rest spread through Cheshire, Lancashire and Cumbria.

Generally, Labour holds the inner cities and towns, while the Tories are safest in places such as Crosby, Wirral West and Wirral South on Merseyside, Macclesfield, Eddisbury, Congleton and Tatton in Cheshire, and Fylde in Lancashire.

Wallasey has the smallest majority of any Tory seat in the region. In the 1987 general election Mr Lol Duffy, a Labour leftwinger, failed to unseat Mrs Chalker by only 279 votes. Labour's national executive has blocked Mr Duffy's candidature this time and local government results have been encouraging for Mrs Chalker, a popular figure with a stronger organisation this time.

The purged leftwing may also peg Labour back in Liverpool, where Mr Terry Fields is defending Broadgreen as an independent after being expelled from the party for his

Militant connections. He may not win, but could let in Ms Rosemary Cooper, a Liberal councillor.

In the cluster of nine marginals in Greater Manchester and north-east Lancashire, the spectre of Ribbles Valley looms large. In places like Hyndburn and the Rossendale Valley, working-class owner-occupation is high but the mainly terraced houses formerly enjoyed low rates. Thousands who voted Conservative in such marginal constituencies in 1987 have been poll-tax losers.

The marginals with the worst unemployment in the region are in the Wirral and Chester travel-to-work area, where nearly 36,000 were jobless at Christmas - a rate of 12.2 per cent.

The Tories are at risk here in both the city of Chester and in Ellesmere Port and Neston, as well as in Delyn on the Welsh bank of the River Dee.

The new Toyota components factory at Shotton, on the Welsh border near Chester, is recruiting workers and this could be critical to the "feel-good" factor in all three constituencies.

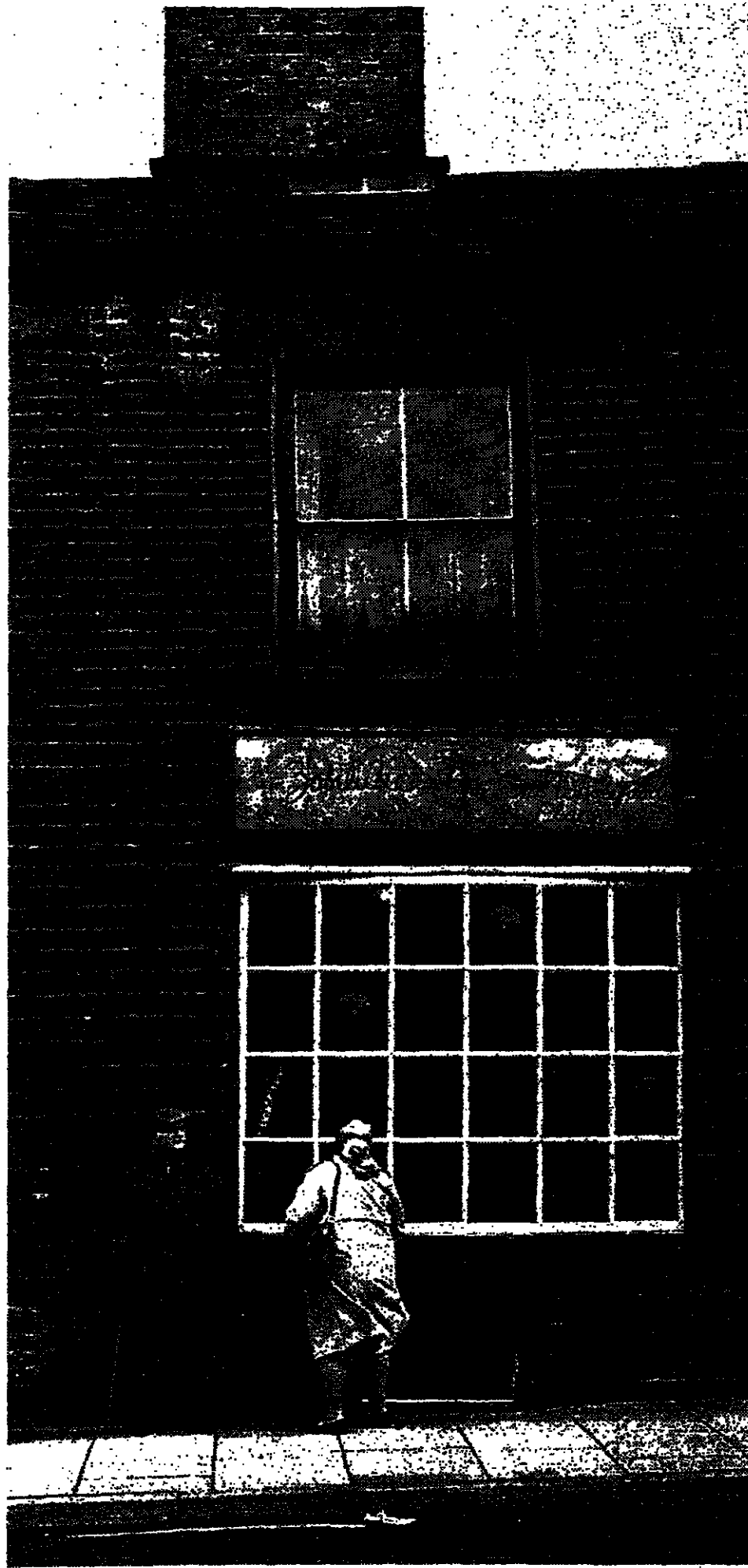
The final cluster of marginals is spread through Lancashire, mainly west of the M6. Lancashire West, centred on Ormskirk and Skelmersdale, Chorley, a new town in the angle of the M6 and M61 motorways, and South Ribbles are all in the market-gardening, arable triangle between Preston, Merseyside and Greater Manchester.

Many upwardly mobile urban dwellers have moved here in the past 30 years. They have been hit by high mortgage interest rates and the run-down of the motor industry at Leyland, and are threatened by the impact of defence cuts on British Aerospace. The question is whether they will switch to Labour just as they are beginning to benefit from mortgage-rate reductions.

The issues may not be as clear-cut as round the corner in Cumbria at Barrow-in-Furness, where commitment to a fourth Trident submarine may decide the survival of Mr Cecil Franks, the Tory beneficiary of past Labour unilateralism.

The Tories will be trying to win back Ribbles Valley from the Liberal Democrats, as well as the Merseyside seaside town of Southport, which they lost last time.

Hazel Grove, a slice of suburb between Manchester and Stockport, held by Sir Tom Arnold with a 1,840 majority, offers the Liberal Democrats one of their best chances in the country of capturing a Conservative seat.



Shopping around: the poll tax may affect Tory backing in Helmshaw, Rossendale Valley

SECURITY

Secret players on the trail with politicians

Jimmy Burns on efforts to stop the IRA disrupting the campaign

IT IS the most secretive issue of the campaign, but politicians can ill afford to ignore it.

Just over two weeks ago the IRA served notice that it would try to disrupt Britain's general election. Within days a bomb on a south London railway track disrupted commuters on Budget day.

With the election campaign under way, security chiefs are trying to guess where one of Europe's most deadly terrorist organisations might strike next. Senior police officers say there is no room for complacency, particularly given the IRA's past record of singling out politicians as targets.

The long running IRA campaign on the mainland and in Northern Ireland has deliberately avoided following a pattern. It is thought that at least one terrorist cell could still be at large on the mainland. As one senior police officer put it yesterday: "We cannot afford to underestimate the IRA's military capability."

Because giving details of security arrangements would play into the hands of the IRA, police and party officials are extremely reluctant to talk about the subject. What is certain, however, is that the police officers openly shadowing senior politicians are only the most visible aspect of what one security expert described as a potential "organisational nightmare".

Foremost behind the scenes is the Metropolitan Police's Anti-Terrorist Squad (S013), supposed to be responsible for tracking IRA intentions and movements in co-ordination with other departments including MI5, MI6 and the Royal Ulster Constabulary.

Campaign managers and party organisers are responsible for liaising with the police and providing any additional measures. Both Labour and the Conservatives have engaged Securicor, the private security company, to protect buildings and search visitors.

The Met has assigned plain clothes Special Branch officers to many senior politicians. Each campaign event is assessed by police for potential risk and the precise destinations of senior politicians are not disclosed until a few hours before their arrival.

One Conservative party off-

icial said: "We are in the hands of the police. Details of an itinerary are released only the day before and only in terms of a general area. The specific location is given out only a few hours before."

The aim is to keep to a minimum the time an IRA hit might have to organise an attack on a target. However, some sectors of the media are showing signs of restlessness with the organisational difficulties this brings.

One social services specialist planning to accompany Mr Michael Heseltine on his visit to the inner cities this week still does not know whether he should book a train to Liverpool or catch the London Underground to Brixton. A group of press photographers said their campaign bus had been sent to the wrong destination by Tory headquarters.

So restricted is knowledge of Mrs Margaret Thatcher's schedule that when local party officials tackled the red carpet down on what turned out to be the wrong part of an obscure Isle of Wight wharf last week it was widely interpreted as a police attempt to wrong-foot terrorists.

For the police, co-operation with the parties in "discreet but effective security" remains the name of the game, though this could change as the political pressure in the run-up to polling day intensifies.

In the words of one senior police chief: "There is a fine line to be drawn between our need to protect potential targets and the party's need not to have a politician's access to the public too restricted."

There may also be a problem for the police if the IRA campaign were to intensify. According to one security expert with extensive expertise in anti-terrorist activity, the election campaign is putting huge organisational strain on a police force that believes itself already under enormous strain in terms of the number of officers needed for dealing with the growing crime rate.

"There is not a hope in hell of protecting everybody," he said, "and even keeping up with the main players in the campaign is going to prove a real headache."

Additional reporting David Owen and Alison Smith.

Marginals Labour must capture

Greater Manchester & north-east Lancashire

Labour swing needed (%)	
Bolton North-East	0.9
Hyndburn	2.3
Pendle	2.6
Bury South	2.6
Stockport	3.1
Colne Valley	3.7
Bolton West	4.1
Rossendale & Darwen (David Trippier)	4.2
Bury North	6.2

Wirral, Cheshire & north Wales

Labour swing needed (%)	
Wallasey (Lynda Chalker)	0.3
Delyn	1.2
Ellesmere Port & Neston	1.6
Wirrington South	3.1
City of Chester	4.6

Lancashire & Cumbria west of M6 & M61

Labour swing needed (%)	
Lancashire West	1.1
Barrow & Furness	3.6
Chorley	6.7
South Ribbles (Robert Atkins)	7.1
Lancaster	7.1
Blackpool South	8.0

* Denotes Ministers at risk

** SDP/Lib Alliance second in 1987

NORTH-EAST

Tories seek to capitalise on 'new' industrial landscape

The region's four Conservative MPs face a tough challenge in what remains a Labour heartland, writes Chris Tighe

NISSAN'S Sunderland plant, exporting cars to Japan; the derelict Teesside land where Mrs Thatcher took her 1987 "walk in the wilderness", now redeveloped for service industries; these are symbols on which the Conservatives will seek to capitalise in the fight to keep their four north-east England seats.

"The NEW North East", proclaimed from government-funded Development Corporation boardrooms, will be a recurrent Tory theme in this Labour heartland.

The region's changing; we've moved away from the smokestack industries. It has new businesses, new industries. It's breaking down socially - there are fewer Andy Capps," says Darlington

MP Michael Fallon, the only minister with a seat in the 30 constituencies between the Scottish border and North Yorkshire.

"As people move away from the highly unionised old industry, they are becoming much more in line with the rest of the country," insists Neville Trotter, Tyne's Tory MP since 1974. "At the last election we were at the nadir of that change. The difference in this election is the success of the transformation."

The north-east has undergone profound change since the late 1970s; the proportion of its workforce employed in coal, steel and shipbuilding has shrunk from one third to 2.5 per cent. Its environment has improved dramatically as heavy industry has dwindled:

high crime levels aside, the region arguably offers a quality of life unsurpassed in the UK for those fortunate enough to be in well-paid, secure jobs.

It is not surprising that the Tories should play the "new" north-east card. They need good news in a region where a 2.5 per cent swing to Labour would cost them not only Stockton South, held by Tim Devlin in 1987 by just 774 votes, but Tyne's majority (2,583) and Darlington (majority 2,861).

Even Hexham, (majority 8,066), the only north-east seat which has been Tory since 1945, is causing difficulties - it has entered the campaign without a candidate after the resignation, following an "incident" on London's Hampstead Heath, of MP Alan Amos.

North-east Tories are a dogged bunch: it takes more conviction to be a Conservative in Eastington than Esher. In many respects, Labour is the region's Establishment.

Academic observers, such as Professor John Goddard of Newcastle University's Centre for Urban and Regional Development Studies, suspect the Tories are clutching at straws in asserting that industrial change equals political change.

I don't think there's a one-to-one relationship between the two," says Prof Goddard. "The history of this region is deep-seated. Traditional values are still there."

Mr Andrew Macmillan, lecturer in politics at Durham University, says Labour continues to enjoy stronger cross-

class support. The 1992 "state of the region" report by the Labour-dominated Northern Region Councils Association says the area has fewer clerical, managerial and professional workers than the national average, lower household incomes and England's lowest proportion of those aged 16 and over in education.

Agenda for the North, a report from the Northern Development Company - spearhead of the Great North positive publicity campaign - says that the service sector is still underdeveloped, that many of the jobs it has created are for female part-timers, and that the regional economy's growth faltered in 1990 and went into reverse in 1991.

The region's recent rise in unemployment has been below the national average, yet it still has mainland Britain's highest rate.

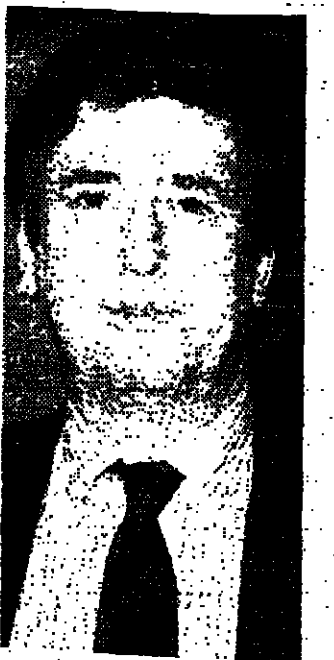
Tories argue that Labour would jeopardise the progress the region has made. Privately they hope that, having suffered an above-average 7 per cent regional swing against them in 1987, any swing this time will be far smaller. They also harbour hopes of recapturing Langbath - lost to Labour in November's by-election - and Newcastle Central.

In Stockton South, a three-way marginal, Mr Devlin's strongest change lies in the decision of ex-Labour and ex-SDP MP Sir Ian Wrigglesworth, narrowly defeated in 1987, not to stand this time. In Darlington, Mr Fallon's status

as schools minister may help him, though his strident views may cost him votes. Both he and his Labour opponent, Alan Milburn, have intellectual bite and a taste for a fight.

In Tyne's mouth, the Tories will attack the spending of Labour-controlled North Tyne-side council. Labour candidate Paddy Cosgrove is a member.

The constituency's beleaguered Meadow Well estate, scene of riots earlier this year, could be an electoral liability for Mr Cosgrove or Mr Trotter. Apart from a criminal element and feckless parenting, Mr Trotter traces Meadow Well's difficulties to the loss of jobs in fisheries after the 1970s "Cod Wars" and shipbuilding's move from



Michael Fallon: he says there are fewer 'Andy Capps' in the north-east since the change in its industrial character

ELECTION 1992: Campaign in the regions

LONDON

Battle will be critical and unpredictable

Likelihood of several seats bucking the trend means race will be closely watched, write Michael Cassell and David Owen

THE BATTLE for votes across London's 84 parliamentary constituencies, which have the greatest concentration of voters and marginal seats in Britain, will be critical, colourful and unpredictable.

London's capacity to shock and surprise has added a piquancy to local and national elections for years, and April 9 is likely to maintain the tradition. The outcome of a tight contest stretching from Enfield to Croydon, from Uxbridge to Upminster, will be crucial in determining the identity of the next government.

Labour has not won a London seat from the Tories in a general election since 1974, when it snatched Enfield North nearly 18 years ago. The party needs to win between 15 and 20 if its hopes of forming the next government are to be met.

It is a tall order. However, the three elections since 1974, which have shown Labour's representation in the region from 51 to just 23, have left plenty of marginal seats in Tory hands, and a 7-6 per cent capital-wide swing should bring Labour the gains it needs. This, together with the likelihood that several seats will move against national trends, explains why the race in London will be watched so closely.

Will the Conservatives, who have 58 London seats, hold yuppies but heavily-mortgaged Battersea, and even snatch Labour's Totting? Will they lose Croydon North-West, to which many traditional inner-city Labour voters have migrated?

Can the Liberal Democrats keep their only London seat in Southwark and Bermondsey, and perhaps double their tally through the addition of Richmond and Barnes? Will the voters of Greenwich and Woolwich deliver the coup de grâce to the twitching corpse of the Social Democrats?

Is Mr Ken Livingstone, the

former Greater London Council leader, safe in Brent East? Can Ms Glenda Jackson win rave reviews for Labour in Tory Hampstead and Highgate?

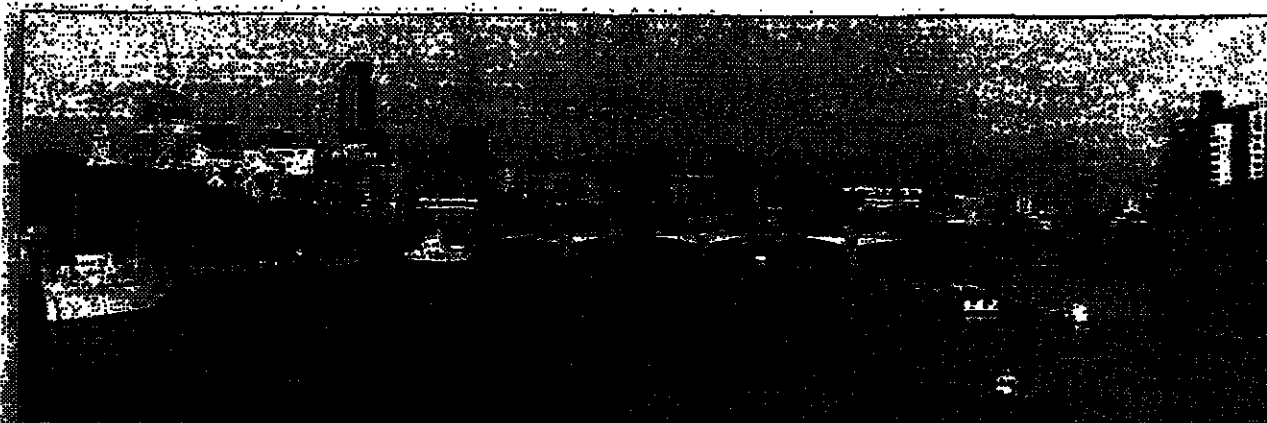
Labour claims that polls and canvases returns put the party on the threshold of the swing it needs, but in some respects the deck seems to be stacked against it.

There is real concern that the party's task will be made harder by the fall in numbers on London's electoral registers. A disproportionate number of poll tax fugitives are thought to be likely Labour supporters. The party may again pay the price - as it did in 1987 - for the "loony left" image of some local authorities. Labour officials are confident the dragon has been slain, through a clampdown on extremism, and a big effort to rebuild the party's reputation in the capital, but the auguries of the 1990 council elections are not altogether positive.

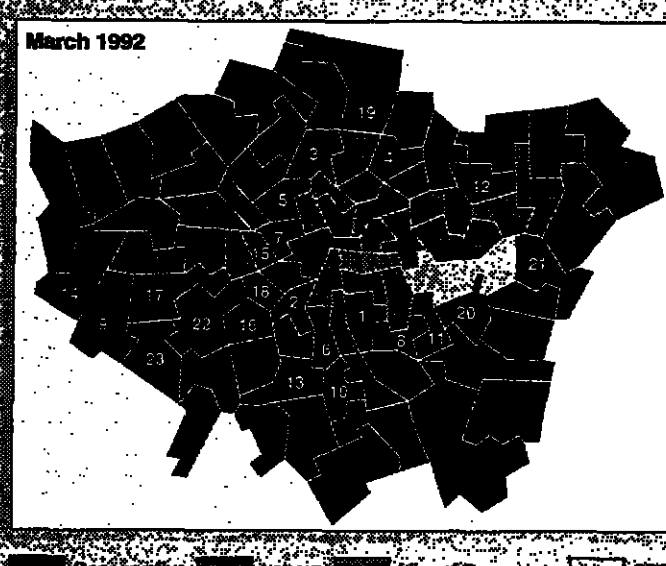
In spite of the widespread unpopularity of the poll tax, Labour only managed a swing of some 5 per cent across the capital, against 11 per cent nationally. Heavy defeats in Wandsworth and Westminster, and losses in Hillingdon, Brent and Ealing, eclipsed more pleasing victories elsewhere. Council by-election results since have further underlined the scale of the mountain Labour has to climb.

But the Labour campaign has at least "hit the ground running", in the words of Mr Bryan Gould, London campaign supreme. Showing commendable diligence in the contest's early days, the party claims to have already interviewed up to 40 per cent of voters in many constituencies. It also has a recession to exploit. Unemployment and house repossessions have hit the Tories hard, and a south-eastern election especially hard over the past year or so.

Unemployment will top the local agenda today when a visit



The capital's key marginals



Seats Labour would find easiest to win					
Votes cast 1987 (%)					
	Con	Lab	Lib	SD	Cons
1 Dulwich	42.4	42.0	14.5	0.4	1.6
2 Battersea	44.2	42.4	11.9	1.6	1.6
3 Hornsey & Wood Green	43.0	40.0	15.1	3.0	1.6
4 Walthamstow	39.0	34.7	25.1	4.3	1.6
5 Hampstead & Highgate	42.5	37.6	19.3	4.9	1.6
6 Streatham	44.9	39.2	15.8	5.7	1.6
7 Westminster North	47.3	39.5	12.1	7.8	1.6
8 Lewisham West	46.2	37.9	15.9	8.3	1.6
9 Feltham & Heston	46.5	37.4	16.1	9.1	1.6
10 Croydon North-West	47.0	37.0	16.0	10.0	1.6
11 Lewisham East	45.1	34.2	20.7	10.9	1.6
12 Mole Valley	48.4	37.5	14.1	10.9	1.6
13 Mitcham & Morden	48.2	35.2	16.6	13.0	1.6
14 Hayes & Harlington	49.2	35.5	15.3	13.7	1.6
15 Kensington	47.5	33.2	17.2	14.3	1.6
16 Putney	50.5	36.1	12.4	14.4	1.6
17 Brentford & Isleworth	47.7	33.2	17.5	14.5	1.6
18 Fulham	51.8	36.7	10.4	15.1	1.6
19 Edmonstone	51.2	36.0	12.8	15.2	1.6
20 Eitham	47.5	32.0	20.5	15.5	1.6
21 Eitham & Croydon	45.2	29.5	25.3	15.7	1.6
Liberal Democrats targets, (where Lib/Dem have their best chance)					
22 Richmond & Barnes	47.7	7.1	43.8	3.9	1.6
23 Twickenham	51.9	8.4	38.3	13.6	1.6

by Mr Tony Blair, shadow employment secretary, coincides with the release of monthly jobs figures. The party's London campaign team will endeavour to keep it there - along with health, transport, the economy generally and the party's plans

for a strategic government for the capital. With polls suggesting that seven in 10 Londoners want an elected authority for their city, this is widely seen as a potential trump card. The Tories today begin their attempts to disarm this and other Labour weapons in the

capital with the launch of a London manifesto. The document includes plans for a minister for London transport and a cabinet sub-committee to coordinate ministerial efforts for improving life in London. Besides outlining its alternative, the party will attack

Labour's proposed authority as an embryonic GLC. Mr Michael Heseltine, environment secretary, has described Labour's plans as "expensive and divisive". The Tories also plan to hit back at Labour horror stories about the National Health Ser-

vice, transport and education, with detailed spending and performance statistics purporting to show an improvement in the overall picture.

Officials say the party will continue to supply "young men in white coats" to local television programmes to spread the 'Tory message on health. In the belief that voters' personal experience of local facilities is at the root of most concerns on the subject.

The extent of Labour inroads may be further limited by the number of high-profile Tory candidates defending marginal seats. For example, the prospects in Lewisham West of Mr John Maples, junior Treasury minister, may be improved by frequent media appearances as a party spokesman.

The Liberal Democrats will focus a large slice of their comparatively meagre resources on keeping what they hold: namely Mr Simon Hughes, MP for Southwark and Bermondsey. They are also optimistic of gaining ground in a limited number of constituencies where they have strong council representation.

This includes Tory-held Richmond and Barnes and Labour Bow and Poplar. The party also has its eye on Conservative seats in Twickenham, held by Mr Toby Jessel, and more ambitiously, Sutton and Cheam, where Lady Olga Maitland is standing as the Tory candidate.

Transport and pollution will figure prominently in the Liberal Democrat campaign. The party will also hammer away at the message that Labour is not alone in offering a strategic London authority, and that the Liberal Democrat version will be partly funded by locally-raised taxes.

Mr Hughes said members of the authority would be elected by the single transferable vote system of proportional representation, using the same constituency boundaries as in a general election.

WINCHESTER

Big guns open fire on rogue candidate

David Marsh on the war of words in Wessex

IT WAS the Tory party equivalent of sending a gunboat down the River. Mr Douglas Hurd, the foreign secretary, yesterday waded into the fray over the two Conservative candidates for Winchester by calling for the withdrawal of Mr John Browne, the renegade MP who is standing for re-election to the Wessex capital.

Touring the damp city pedestrian precinct yesterday, Mr Hurd said Mr Browne's candidature was causing "complications" and advised him to stand down. It was the same reasonable tone with which Mr Hurd has dealt in the past with Saddam Hussein.

Mr Hurd was brought in to support the official Conservative candidate, Mr Gerald Malone, a 40-year old Glaswegian solicitor. The former Tory MP for Aberdeen South was selected as the official candidate after Mr Browne, in trouble for failing to disclose business interests, was disowned by the party, both locally and nationally.

The imbrigo has increased the Liberal Democrats' hopes of winning the seat. Their candidate - Mr Tony Barron, an energetic 50-year old quantity surveyor - yesterday predicted he would clinch a water-thin majority. "I don't care if they put up 20 Tory candidates, I'll still win," he quipped.

With Winchester showing one of the largest unemployment rises in Hampshire during the past two years, Mr Barron said the "feel-lousy factor" was aiding his cause.

Speaking in the Conservative Association offices above an estate agent, Mr Malone said he was confident of a 10,000-11,000 majority. In 1987, Mr Browne - the MP since 1979 - won with a reduced 7,400 margin ahead of the Social Democrats.

Mr Malone is benefiting from Central Office heavy artillery to show Tory voters that he, and not Mr Browne, is the one to back. Mr Tom King, the defence secretary, comes to Winchester today.

Of Mr Browne, Mr Malone said: "He is trying to convince people that he is the real brand of Tory and I'm the biological version." He predicted his rival would reap a "derisory" vote.

"The people in this election will be voting very seriously... They will not be distracted by the diversion of an independent," Mr Malone said.

Mr Browne has other ideas. Ensnared in the Winchester Conservative Club, the nondescript building smelling of fried food which is his campaign headquarters, Mr Browne forecast he would lose only about 20 per cent of the 32,000 votes he won in 1987.

Assisted by his American wife, who calls their campaign van the "Jomobile", Mr Browne says he is representing constituents' best interests by refusing to bow to the local party's wish to unseat him. "I have been flayed as a scapegoat. They have now laid on my back as a troublesome person." He accused the Tories of using methods to discredit him which would make the KGB blush.

Watching Mr Hurd perform outside the local shops yesterday, Mrs Felicity Hindson, chairman of the local Conservative Association, sighed: "A lot of people have been very annoyed about this."

The Conservatives will be even more annoyed if this true-blue bastion totters.



Harbouring ambition: Labour candidate John Denham claims an early campaign lead in Southampton Itchen

View from: Tokyo

Tide may turn as recession bites

David Marsh on the question marks over a clutch of Tory marginals

A CROSS the rich green fields, the shopping malls and the drive-in McDonalds of southern England, the warm tide of Thatcherism ebbed during the 1980s, giving prosperity to thousands of home counties voters hit by recession, the tide of wealth has ebbed - placing important question marks over whether the Tories can hold on to a clutch of marginal seats strung across traditional Conservative territory.

If Labour is to have any chance of forming the next government, it must capture at least half a dozen marginal constituencies in the south - places such as Slough and Swindon, Basildon and Dover, and the two Southampton seats.

Nell Kinnock's party faces a tough struggle, but Labour has been helped greatly by the regional pattern of the recession. In contrast to the 1980-81 downturn, high interest rates and sluggish demand have affected the service-based economy of the south more than heavy industry in the north.

Starting from a much lower base, between February 1990 and January 1992, the numbers out of work rose 210 per cent in their districts. In Essex, 131 per cent in Hampshire and 127 per cent in East Sussex. On Merseyside, by contrast, the much higher unemployment rate has risen by a relatively modest 17 per cent in the last two years.

In Slough, one of the most

crucial marginals where the Conservatives are defending a 4,090 majority, the business mood is subdued.

Leslie Robinson, head of the Slough Chamber of Commerce, says job losses have been felt across the board, from engineering to financial services, although he sees glimmerings of an upturn in a recent pick-up in local order books.

Mr Robinson says of the Conservatives: "They are fighting an uphill battle. They banked on being able to demonstrate quite clearly that the economy was out of recession. But we don't see that. To some extent, that has left them exposed."

John Watts, a jovial accountant who took the seat for the Tories in 1983, says he is confident of winning with a reduced majority. Eddie Lopez, his Labour challenger, claims that early opinion polling puts his party ahead with a double digit percentage lead.

These are still, of course, early days. Speaking of the many who are still undecided, Mr Watts says: "There are a lot of people who voted Tory last time, and whose instincts are still Tory. We have to convince them that they should follow their instincts." He admits, however, that "errors of judgment" in the government's handling of the late 1980s boom have made the pain worse. With a mortgage of £145,000 taken out near the interest rate trough in 1988, Mr Watts says he, too, is feeling the squeeze.

In Southampton, John Denham, Labour candidate for the Itchen constituency, says concern over unemployment, housing repossessions and falling incomes have given Labour an early campaign lead.

Mr Denham, a 38-year old consultant, claims: "A large number of people who voted Tory last time have now come over to us." Speaking of rising debt problems for individuals and small businesses, Mr Denham says: "A lot of people are no longer secure. They feel betrayed."

James Hill, Conservative MP for Southampton Test since 1979, defending a 7,000 majority, is confident of holding the seat. But, in a sign of the Tories' overall defensiveness, he says additional economic turbulence caused by the last few months of uncertainty over the election date has made him a supporter of fixed-term parliaments.

Peter Beebe, director-general of the Southampton Chamber of Commerce, says a "cold draught" has blown up the Solent. High interest rates to beat inflation have exacted an "enormous price".

"It has curtailed investment, driven away consumer confidence and frightened people from spending money, let alone borrowing it," Mr Beebe says.

Local business fears that a Labour government might lead to "high and destructive taxation".

But Mr Beebe says that the pragmatic Labour-controlled

Southampton council - from which both Mr Denham and Alan Whitehead, the Labour candidate for Southampton Test, are drawn - is a good example of how a "sensibly moderate" Labour administration might work nationally.

In another 1980s boom town, Swindon - where Labour, as in Slough, needs a 4 per cent swing to unseat the Conservatives - the downturn has raised the spirits of the opposition.

Jim d'Avila, the Labour candidate who is chairman of the local council's economic development committee, says: "People are suffering and feel threatened. They're frightened that they may be next."

The conservative task across the Tory heartlands is to focus on a different set of voters' fears: the uncertainties associated with a prospective Labour government.

But the party will have to make a double effort to convince people like Ian Devine, the hard-hit proprietor of a Southampton pine furniture shop, that it is worth sticking with the Tories.

Mr Devine, who has had the "sale" posters in the window ever since he opened his shop a year ago, says he was "forced" into setting up his own business after being made unemployed.

"People are hanging on to their money. They don't want to spend it," says Mr Devine gloomily. "It will be a very close election."

Labour seems rosier from the other side of the globe

THE SECOND Battle of Britain it may look in London, but in Tokyo no one seems overly concerned about who wins it. Newspaper coverage of British election campaign has been scant, with Japanese language editorial comment missing altogether. And even well-informed Japanese seem utterly relaxed about the possibility of a Labour victory.

This is, at first glance, surprising. Japan had something of a love affair with Mrs Margaret Thatcher and on almost every front Britain is Japan's most important partner in Europe. Britain is a big recipient of Japanese direct investment, and under the Tories the two nations have seen eye-to-eye on a broad range of political and trade issues.

Following the collapse of the Soviet Union, Japan has

sought to promote a tri-polar view of the world - with Japan, the US and Europe sharing leadership. "This view is best understood by the British - rather than by France or Germany," says a Japanese foreign ministry official who spent his student days in Britain.

If the relationship is so important to Japan, why is the prospect of a change in government not more worrying? The short answer is that Labour, from halfway round the globe, does not look so fearsome.

Mr Tadzo Nishimuro, general manager at electronics company Toshiba, says: "As a company which has large investments in the UK, we feel that the basic attitude to Japanese investment will not change drastically, notwithstanding the election result."

This needs to be put into perspective. Japanese people who lived in Britain under the last Labour government in the late 1970s were appalled by what they saw - declining living standards, materials shortages, disruptive strikes. Mrs Thatcher remains something of a folk hero in Japan for having cured the British disease - a reputation unmarred by the long British recession.

Professor Hidekazu Kawai, an academic specialist on British politics at Gakushuin University, says: "Most Japanese believe the British people are still enthusiastic supporters of Mrs Thatcher."

Yet even informed Japanese, who know that Mrs Thatcher has lost her political influence, believe that much of her legacy - the strengthening of market-based institutions, trimmed

power of trade unions, the privatisations - will survive intact, regardless of who wins the election.

While the debates between the parties over taxation, economic policy, or social welfare are real enough, from a long distance they look like much huff and puff over small disagreements rather than debate over fundamental policy alternatives.

It is a battle for the moderate middle ground and, to the Japanese at least, it is not - as Mr Major tried to portray it - a choice between socialism and the market.

"This is not a referendum on the Tories for their past 13 years in government," says the foreign ministry official. It is rather a question of who best can run the government.

This is not to say there are

no doubts at all. The Japanese government has been genuinely impressed by Mr Major's confident performance in foreign affairs, particularly in regard to Europe.

On the other hand, the foreign ministry official says: "We do not know very much about Mr Kinnock."

Mr Tada Hida, who managed the London operation of Marubeni, the trading company, from 1977 to 1983, and is now general manager of international corporate planning, says: "I am just concerned, if Labour wins, that there not be a drastic change in economic policy."

This, he says, could potentially affect Japanese investment in Britain.

Mr Nishimuro says Toshiba is confident it can retain good relations with the EETPU elec-

tricians' union at its factory in Plymouth regardless of any changes in government policy. His only concern is that the social welfare costs of operating in Britain do not rise steeply. However, he points out that this has nothing to do with Toshiba's Japanese ownership and he thinks it probably won't happen.

If there is residual fear of a Labour government it is a fear of change, of the unknown, rather than objections to Labour or its policies.

Labour has made successful efforts to win friends. Party officials have repeatedly assured Japanese diplomats that Labour would place a high priority on maintaining close relations with Japan and that there would be no change in policy.

Mr John Smith, the shadow

chancellor, visited Tokyo in 1990 and made a broadly positive impression. Mr Tada, who met Mr Smith briefly at the time, says: "I think we can believe him."

Underpinning all these views is a deep respect for, and even envy of, the British parliamentary system, where a change in governing party is seen as a healthy sign that democracy survives.

In Japan - where the Liberal Democratic Party has been in power since 1955 and opposition parties offer no credible alternative - this seems inconceivable.

Plainly, many Japanese people have accepted one of Labour's basic messages: that it is a credible candidate to govern Britain.

Steven Butler

UK NEWS

Rise in retail sales signals cautious upturn

By Emma Tucker, Economics Staff

RETAIL sales in Britain rose a modest 0.4 per cent in February, indicating a cautious upturn in consumer demand and bringing the year-on-year increase to 1.5 per cent.

In the three months to February, however, sales grew by only 0.1 per cent, compared with the previous three-month period. In the six months to January sales hardly grew.

The Conservative party, on the defensive following the publication of poor output figures, said the rise was an indication of an imminent economic recovery.

"Retail sales volumes are now firmly established on a modest upward trend, as consumer confidence is being restored," said Mr Norman Lamont, the chancellor of the exchequer.

Mr Gordon Brown, Labour's spokesman on trade and industry, said the figures showed a fall in sales in February when measured by value rather than volume. Economists, meanwhile, warned that the pick-up could easily be reversed.

Mr Michael Saunders, of securities house Salomon Brothers said: "The trend in

retail sales is still generally flat. Consumer spending in coming months is likely to be held back by weak personal incomes."

The official figures showed that last month's rise was concentrated in mixed-business - mainly department stores - where sales rose by 3.4 per cent on the month. Non-food sales rose 0.7 per cent on the month after falling 1.6 per cent in January. Food sales dropped 1.2 per cent in February after rising 2.3 per cent in January.

Sales in household goods - a sensitive indicator of consumer confidence - rose 3 per cent in the three months to February compared with the previous three month period.

The more optimistic picture of the economy suggested by yesterday's retail sales figures contrasts significantly with the monthly industrial output figures released earlier this week which showed a fall of 0.7 per cent in February. The year on year decline in manufacturing output was 3.5 per cent.

The two sets of figures suggest retailers are running down stocks rather than making new orders.

Discrimination haunts women executives

Diane Summers reports on the growing fear of bias among leading female directors

MOST female company directors believe women in Britain are the victims of workplace discrimination, according to a survey on women's views at the Institute of Directors (IoD). Of the female executives questioned by the IoD, 75 per cent said bias was common and a third said they had direct experience of sex discrimination, particularly in the early stages of their careers.

Male attitudes at work and employers' inflexibility over childcare and domestic responsibilities were blamed in the survey as the chief causes of the discrimination.

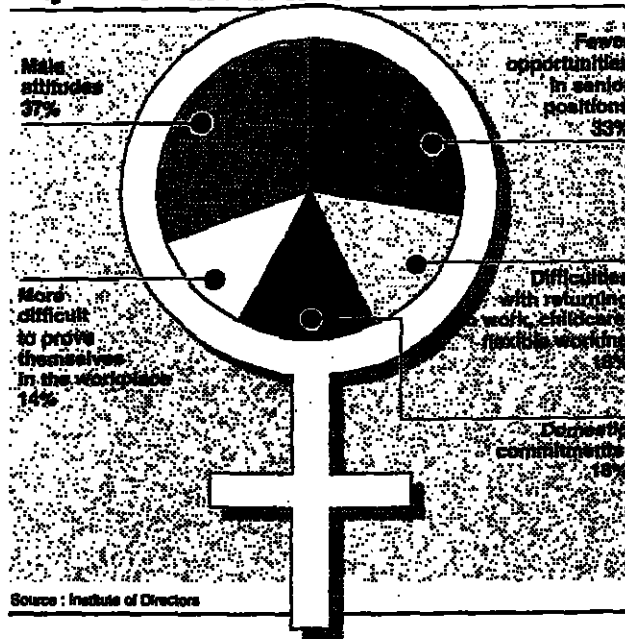
Lady Wilcox, a member of the IoD council, said there was evidence that, because of the pressures on women at the top, they were leaving it too late to have children. The survey showed that 43 per cent of the female directors were childless.

Female directors, however, oppose any system of quotas or targets to boost the numbers of women in top jobs. In the survey, respondents said they could be accused of not achieving their positions on merit.

Mrs Karen Silcock, an IoD council member and senior executive with Touche Ross management consultants, said that for many women getting to the top was a "confidence problem".

The IoD has 2,600 female members out of a total mem-

Why women face discrimination at work



bership in the UK of more than 33,500. The survey of a random sample of 200 women directors, of whom 90 per cent were executive directors.

The main findings of the survey include:

- Discrimination against women. Men and women do not get equal chances at work, according to 74 per cent of the

female directors surveyed. Directors in the service sector felt this most strongly - 80 per cent in business services, for example, thought there was inequality, compared with 58 per cent in manufacturing.

Reasons for inequality. The most common reasons given for a perceived lack of equal opportunities were male atti-

tudes towards women (37 per cent); fewer opportunities for women in senior positions (33 per cent); difficulties with women returning to work, childcare, flexible working (31 per cent); women's domestic commitments (29 per cent); and the difficulty of women providing themselves in the workplace (28 per cent).

Obstacles faced by women. According to 87 per cent of female directors, women face obstacles not encountered by their male counterparts. These are: responsibilities to children (35 per cent); the need for career breaks (29 per cent); male prejudice (23 per cent); not being taken seriously (21 per cent); lack of childcare (16 per cent); and domestic responsibilities (16 per cent).

Obstacles faced personally. Thirty six per cent of female directors thought they personally had to face obstacles not faced by male colleagues. The obstacles included women having to prove themselves and work harder and the assumption that senior positions should be filled by men.

Quotas and targets. There was widespread opposition by female directors to quotas and, to a lesser extent, targets for the promotion of women. Thirty six per cent said they would oppose the introduction of quotas in their companies and 69 per cent said they would not want to see targets.

Over half gave as the main reason that "selection should be on merit".

Action to encourage women. Not enough is done to encourage women to join and stay in the labour force, according to 87 per cent of female directors. Measures favoured by the women were: retraining after career breaks (83 per cent); flexible working hours (79 per cent); workplace nurseries (77 per cent); career breaks (60 per cent); financial support for private childcare (58 per cent).

What companies do now. Actual practice is in sharp contrast to what female directors say should happen: of those who did not think their companies were too small to provide measures to encourage women, 21 per cent reported that no steps at all were taken. Only 2 per cent of companies provided workplace nurseries and career breaks were available in just 23 per cent of cases.

Tax relief on childcare. There was strong feeling that tax relief should be provided on childcare: 68 per cent strongly agreed with the idea and 17 per cent agreed quite strongly. Of those with children under 16, 81 per cent agreed very strongly and 18 per cent agreed quite strongly.

Survey available from: Publications Department, IoD, Mountbatten House, Elizabeth Street, London SW1W 9RE. Price £15.

Average earnings rise by over 7%

By David Goodhart

AVERAGE earnings in Britain rose by an underlying rate of more than 7 per cent in January in spite of expectations that they would fall below that level for the first time since the 1980s.

Although a consumer-led recovery in Britain requires real earnings to remain high, the country's long-term competitiveness in the European exchange rate mechanism requires average earnings to fall to 5 per cent or below.

For the economy as a whole earnings stagnated in 1991 because of the sharp rise in unemployment.

According to analysts Goldman Sachs, however, average earnings for employed workers in 1991 rose by 7.6 per cent compared with a rise in the index of prices of only 3.6 per cent.

Furthermore, for workers with mortgages, free cash flow in real terms has increased by more than 10 per cent in 1992 thanks to recent cuts in interest rates.

However, the underlying rate of increase in average earnings will fall beneath 7 per cent and could even hit six per cent by the middle of the year, according to Mr Alastair Macleod of Income Data Services.

Some analysts had expected the 7 per cent level to be breached in January in the light of the new trend for pay settlements to average between four and five per cent, just above the current rate of inflation.

But the underlying rate of increase in average earnings is an annualised figure so still reflects the much higher settlements - eight to ten per cent increases - that were being awarded in early 1991.

The actual December on December increase in average earnings, announced last month, was only 6.5 per cent.

There is relatively little "earnings drift" in the current average earnings figures as bonuses and overtime payments are currently low. Overtime has been constant at about 10m hours per week since February last year.

UK traders demand government compensation for Iraqi debts

By Andrew Jack

SEVERAL companies are demanding compensation from the British government for £150m of Iraqi debts for goods supplied before the invasion of Kuwait.

More than 30 British companies which traded with Iraq before the introduction of sanctions in August 1990 face substantial unpaid bills which have seriously affected their operations.

Many feel bitter that they were encouraged to trade with Iraq by the government in the 1980s, but the government has turned its back on them now difficulties have arisen.

They are also angered by the knowledge that funds held by the Iraqi government in UK banks are estimated to be worth \$1.2bn (£708m) and still earning interest which on its own would now be enough to pay

their debts. Mr Omar Cotran, chairman and managing director of OMC Group, a worsted-fabric manufacturer based in Huddersfield, northern England, says: "We are in a very bad position. We are just surviving, but I am not sure for how much longer."

He has outstanding bills from Iraq for \$1.2m, mainly from trade during 1989 and 1990 up to the imposition of sanctions.

Since then, he has had to make 30 of his 70 employees redundant and close one of his two mills in North Yorkshire.

Late last year, his bank scrutinised the company's diminishing cashflows and withdrew its overdraft facility.

OMC traded with private-sector customers. But Iraqi govern-

ment regulations during the 1980s required payments to be channelled through letters of credit issued against the Rafidain and Rasheed banks, both of which are branches of the Iraqi Ministry of Finance in Baghdad.

The company used to underwrite its trade through the UK's Export Credit Guarantees Department (ECGD). When the ECGD stopped offering long-term cover to Iraq during the Iran-Iraq war, OMC simply relied on the letters of credit.

"We thought this was very safe business," says Mr Cotran. "We thought there was no way we would not get our money unless the government went bust."

But while Iraqi customers paid money in advance to the banks which issued the letters of credit,

repayments slowed during the late 1980s and ceased as a result of the worldwide freeze on Iraqi assets imposed when the UN imposed sanctions against the Baghdad regime.

Mr Gregor Tchibakian, founder of Apollo Fashions, a fashionwear company with \$2.5m in unpaid bills, says: "It's very frustrating to know that the Iraqi government owes money here according to interest, while we are suffering."

Mr Saad Jadir, managing director of Dominion (England), an exporter of car parts with \$10m in Iraqi unpaid debts, estimates that there are at least 60 companies with debts totalling £150m in a similar position. He has managed to document £50m in detail so far.

He suggests two possible options. One is for the UK government to

unfreeze some Iraqi assets on condition that the debts are repaid. The other is for interest on Iraqi deposits still frozen in the UK to be released to pay the debts.

He also offers a third approach: persuading the Bank of England to underwrite lines of credit against the letters of credit issued. He has already held discussions with UK institutions on supporting such an idea.

Appeals to the British government so far have been frustrated by a ceaseless merry-go-round of bureaucratic buck-passing, he says.

"These companies should go to the Bank of England," the Department of Trade and Industry (DTI) said yesterday. "They hold the purse strings."

It added that companies had to

make their own commercial decisions about insuring against risks of non-payment. It said while officials and ministers can sometimes "put in a heavy word", no such diplomatic or economic links exist with Iraq, making these tactics impossible.

The Bank of England has a unit created to consider the issue of Iraqi sanctions.

A Bank official said, however: "This is one for the Foreign Office. We are an executive arm. Our unit has no discretion whatever."

The Foreign Office maintains it merely implements the UN-imposed asset freeze, and says there is little indication that the attitude towards Iraq is softening.

"On the situation of British firms, you should ask the DTI or the Bank of England," it said.



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You are invited to an exclusive weekend for FT readers to spend a few days in April above Lake Geneva, and enjoy bridge in the company of the Financial Times Bridge correspondent, E.P.C. Cotter.

We shall stay at the 5 star Le Mirador at Mt Pelerin near Vevey over the weekend of 25th/26th April. The hotel offers luxurious accommodation, superb cuisine, outstanding recreational facilities and spectacular views. Bridge will be arranged each afternoon and evening by Clair Sexton, who will also pair single readers and those with non-bridge playing partners as required. Pat Cotter will be on hand to help improve your game.

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BRITAIN IN BRIEF



Insurers may be forced to refund policies

Up to 20 life insurance companies could be forced by regulators to make refunds to policyholders on the industry's most successful product last year. Lantoro, the life industry's watchdog, has set an April deadline for insurance companies to submit all advertising material for scrutiny.

Advertising deemed to be misleading will have to be changed, and customers who relied on it will be able to claim compensation. It is the first time that Lantoro has ordered such a review.

In particular, Lantoro is concerned that investors have been led by sales agents to believe that the policies - so-called single-premium with-profits bonds - are simply a higher yielding version of building society deposit accounts and that they may retrieve their funds in full at any time. In fact, investors can face some delay in withdrawing funds, and interest rates are not guaranteed.

Although Labour had an ostensibly tough policy towards utilities, the broker said, much of this was political rhetoric. Labour had two central policies for the electricity industry - to nationalise the National Grid Company, which owns the electricity network of England and Wales, and protect British Coal, the stockbroker said. But neither policy should significantly affect the generators.

The painting sold to raise cash

Lord Rosebery is disposing of one of the most important paintings in his collection to raise money to repair the family's stately home in Scotland.

The painting, a portrait by Rembrandt of the religious reformer Johannes Dyttenhogen, is regarded as one of the finest Rembrandts in private hands in the UK and is expected to sell for at least £3m when offered for auction at Sotheby's on July 8. Profits will be used to improve the family's estate.

Judge to hear Lloyd's cases

The High Court in London has announced that a single judge will consider more than 700 outstanding writs concerning the conduct and management of business at Lloyd's of London, the international insurance market.

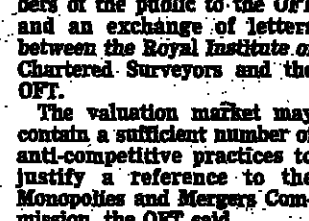
Mr Justice Saville, a commercial court judge, has been allocated all the legal cases concerning Lloyd's of London to in an effort to speed their consideration, according to a High Court statement.

The new approach should result in substantial time and cost savings, according to the High Court statement.

Valuations to be investigated

The Office of Fair Trading (OFT) has launched an investigation into the operation of

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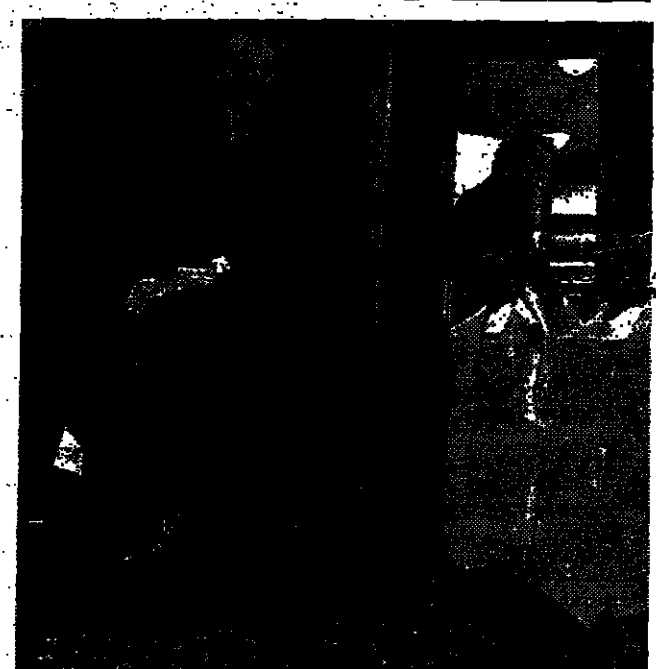
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The unkindest cut of all: Mr Hugh Holland, managing director at Bernard Weatherill, the sporting tailor which supplies hunting clothes to the Queen, is feeling the pinch from the recession. The Savile Row tailor has cut prices by up to 30 per cent for suits, coats and shooting jackets to stimulate sales. Speaking at the company's London premises, Mr Holland (above) said the move had been prompted by a decline in sales of more than 60 per cent. Tough trading conditions had been worsened by uncertainty about the future of hunting, he added.

House sales remain stalled

The revival in the UK housing market which appeared to have started at the beginning of this year has not been sustained and sales and prices are continuing to lag in many parts of the country according to a survey of almost 100 estate agents.

The survey by the Royal Institution of Chartered Surveyors (RICS) said that despite the uncertainty was smothering confidence among potential buyers. Many said that the revival in interest from potential buyers, seen at the start of this year, had failed to translate into higher sales in spite of government attempts to boost sales by removing the stamp duty paid on all sales.

Direct sales for computers

Personal computers in the UK are being sold increasingly through "direct" channels rather than distributors, dealers or other forms of third party intermediary.

The trend mirrors developments in the US where mail order, catalogue selling and telesales are playing an increasing part in the distribution of PCs. According to Rometec, a marketing consultancy, direct sales of PCs in the UK have grown from 12 per cent of total sales in 1989 to 23 per cent at the end of 1991.

Gas assets gain value

British Gas now owns the second most valuable portfolio of North Sea oil and gas assets, according to the annual league table published by stockbroker Country Risk & WoodMac.

Although BP is still top of the league with 27.4bn worth of assets, British Gas has overtaken Royal Dutch/Shell and Exxon to advance from 4th to 2nd place, with a portfolio of 24.2bn, the table shows.

Royal silence

Spokesmen at Buckingham Palace, home of the royal family, have refused to comment on speculation that the Duke and Duchess of York may be about to separate.

TECHNOLOGY

Putting a face to a phone

Seeing the people you telephone has moved a step closer this week as two companies prepare to launch videophones for consumer use. ST and Amstrad plan to introduce products, manufactured by GEC-Marconi, in time for Christmas. The likely price tag will be £399.

Until now, most videophone research has been aimed at the business market with advances in videoconferencing spearheading developments. But the new GEC-Marconi videophone can use either traditional analogue systems or the new digital exchanges, the latter making up around 95 per cent of the UK phone network.

The difficulty with the analogue system has been in compressing the amount of information required into the line. The new digital systems produce a clear moving picture and adequate sound quality. But developments in data compression and integrated software have enabled the breakthrough to be made to standards the manufacturer hopes will become the norm for the industry.

The unit contains a three-inch square flip-up screen which receives colour pictures from a finger-sized camera situated above. It plugs into a normal telephone socket and calls cost the normal rate. The screen and camera can be placed down if not required.

The videophone has a "picture refreshment rate" - the transmission rate of frames per second - of around 10 compared with a television rate of 25. This means that there is a slight time lag on sudden movements and a tendency to make the image slightly larger than normal. Otherwise the picture is surprisingly clear.

GEC-Marconi says it is developing separate types of unit for Amstrad and ST, although the product will use similar components.

These developments mark the latest stage in an increasingly competitive business with manufacturers racing to open up the market. Earlier this year AT&T announced it was testing an analogue videophone in the US which would retail at around \$1,500 (£850).

Christopher Price

Britain's Post Office is jumping on the "open systems" bandwagon. It has appointed Hewlett-Packard to supply its equipment, and over the next couple of years intends to install £20m worth of Unix-based systems and software to sit alongside its IBM infrastructure.

The Post Office expects to enjoy big economic benefits from the move - a reduction in capital expenditure, better performance from hardware investments, and great flexibility, not least in delivering new applications to its operating companies.

Three things are especially striking here. First, the Post Office has developed an open IT strategy to control the proliferation of Unix systems across the group. The strategy offers technical coherence, without inhibiting the evident enthusiasm for, and deliverability of, Unix-based systems.

Second, the Post Office has put itself through an exhaustive formal procurement process and selected a "single strategic supplier" of open systems hardware. In other words, the Post Office feels more secure in a long-term partnership.

Third, it has joined a growing body of senior IT users - BT, BP, Boots, Unilever, DHL - in a move which promises to deliver at last the revolutionary potential of IT in business.

The seismic effects on the computer industry itself are well documented, not least in the balance sheets of IBM and the rest of the proprietary world. Their attempts to demonstrate credible open products and marketing strategies prove the strength of the movement.

According to Simon Forge, principal consultant for CSC Index in Paris: "Even a year ago you could still argue that proprietary systems would go on forever. But we are past the hype now. There is no longer a question about the viability of open systems."

Nick Earle, HP's computer systems marketing manager, says the shift was even later. "Suddenly in the last nine months, just enough has come together to make open environments a reality - and businesses are taking advantage of it," he argues.

But what exactly defines open systems? At its simplest, open systems implies freedom of movement - for software developers and users alike - in three principal areas: portability, scalability and interoperability. Portability means

Dave Madden explains why the open systems movement has so many dedicated followers

Attracted by a taste of freedom

that you can run the same piece of software on computers from different vendors. Scalability is running that software on machines of different sizes. Interoperability allows diverse hardware software components to work together, typically across a distributed network.

Progress is evident in each of these areas. Improvements in hardware price performance, delivered increasingly by highly parallel architectures or RISC-based processors, give unprecedented scalability. This in turn encourages widespread "downsizing". As Earle points out, applications which were once supported by a multimillion-pound mainframe investment now run happily on processors, or across networks, costing just tens of thousands.

Similarly, there is movement on the standards front. The International Standards process underpins much of this open systems initiative. Public standards (most notably OSI Communications, and Posix, which defines calls between an application and operating system) and industry-based standards (X-Windows, XPG3, and the prospect of only two versions of Unix from the Open Software Foundation and Unix International respectively) are slowly maturing.

But this is only part of the story. Forge detects a new and highly pragmatic attitude to open systems development. It cannot wait for the standards process, he argues. A new consensus is also emerging which articulates open systems as much in terms of basic computing trends - desk-top hardware performance, client-server architectures, complex distributed networks, relational databases and sophisticated graphical user interfaces - as in any formal standards-making process.

As Norman Schofield, partner at PA Consulting argues, these technologies are now "sufficiently capable, cheap and reliable to take the weight of primary responsibility for corporate information". It is

Unix market in Europe

UK sales (units)

Total market: 1.4m

PC 94,000



Total market: 29,000

Small-scale systems 11,000



Total market: 4,100

Medium-scale systems 750



European sales (units)

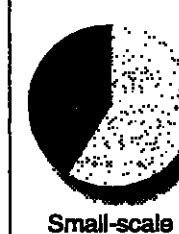
Total market: 7.8m

PC 174,000



Total market: 161,000

Small-scale systems 66,000



Total market: 25,100

Medium-scale systems 4,600



their convergence, within the context of open systems, which promises not only to empower end-users, but to make IT a real competitive force, arguably for the first time.

So this is where the real momentum is coming from. Users such as these have finally appreciated that IT is not necessarily the expensive frustration of long experience. Ironically, says John Spies, director of strategic marketing at Oracle, the software developer, if anything business users have "bought into" the open systems concept far beyond what can be delivered.

No doubt the true distributed, integrated computing environment remains a thing of fantasy, but there is enough

technology in place, enough precedents, enough demonstrable benefits, to encourage the Post Office and its peers.

Glen Peters, head of Price Waterhouse's open systems group, points to striking economies at his client BP. As the company rolls out its pan-European open systems infrastructure, savings have been made in applications development costs and in the proportional cost of hardware to total IT spend.

Similarly, Paul Livey, deputy chairman of House of Fraser stores, says the company's open strategy has given it the flexibility to develop new applications at a fraction of their traditional cost. The group now has "a phenomenal

basis for competition between suppliers", he says.

Unilever's experience is perhaps the most telling of all. It embraced open systems at the end of 1990, and its goal was to "create an application in one Unilever company and use it in any of the other 450", says Mike Johnson, IT director.

Proprietary computing areas had frustrated the transfer of good ideas. With those barriers broken, Johnson believes that over time the new regime will increase Unilever's basic productivity by "hundreds of millions of pounds".

There are two stumbling blocks on this course, however. First, IT is getting more complicated. In particular, multi-vendor environments throw the onus of technical responsibility back to the users. This is why the Post Office views its partnership with HP as an "insurance policy".

Second, the legacy of proprietary investment. Schofield believes that it is "criminal" for businesses to add to proprietary systems. But moving inherited applications from a proprietary, often mainframe-oriented, environment to a distributed open one represents not just a technical complication but a business risk.

Migration methodologies are emerging to help manage this process, and their common denominator is that an enterprise-wide information architecture - in essence a blueprint for constructing computing and telecommunications applications and systems across the business - is a prerequisite to moving to open systems successfully. Similarly, as is the case at the Post Office and Unilever, the view is that open system strategies must be tested in purely business terms.

Not surprisingly, as Forge notes, the fastest, most determined uptake has been in global businesses - MacDonal's, DHL, Federal Express - where there is an imperative to clone systems quickly. Conversely, where the mainframe data centre is institutionalised - in airline reservations systems, for example - there is less penetration.

Overall, Earle estimates that perhaps 30 per cent of open systems are approaching open systems incrementally, starting with a new application such as a customer service system to prove the concept. The rest, he suggests, are just watching and waiting. But, as Schofield argues, they should not wait too long. "The choice is to be a leader, an early follower, or too late."

Offices follow the factory's example

By Joia Shillingford

Gains in office productivity could rival those achieved in manufacturing if a new approach, known as business process redesign (BPR), succeeds. The rationale behind BPR is that concepts like Japan's "best manufacturing practice", which uses just-in-time techniques, can be applied to the office as well as the factory.

In manufacturing, physical layout is important because moving materials around can be costly. In the office, delays in dealing with important documents occur because they pass between too many people, departments or offices.

"BPR looks at the targets which the business wants to reach and works backwards to design the processes necessary to achieve them," says Judith Wainwright of the London-based consultancy Pagoda. "It is a way of simplifying the workflow, by reducing the number of stages involved in a procedure."

Western Provident Association (WPA), the UK's third largest health insurer, has made productivity improvements of 38 per cent from BPR. "Processing an application for health insurance used to involve seven staff and take 28 days," says Julian Stainton, managing director. It now takes one person only four days. This includes reviewing the medical history, setting up the policy and arranging to collect the money from the customer's bank account.

In addition, the file was only worked on for 45 minutes during the 28 days (the rest of the time it was in transit). Now it is held on a computer and takes just minutes to be processed. Like many companies which opt for business process redesign, WPA uses a combination of image processing and workflow software to speed up re-engineered procedures. Image processing involves capturing a complete image of a document (including signatures and graphics) on a computer. Workflow software automatically

forwards the document image on to the relevant worker when it is time for the next action to be carried out.

BPR is gaining respect as companies look for new ways of raising productivity and cutting costs. Delegates to a recent conference on the subject attracted companies such as BP, Thomas Cook, Abbey National, Glaxo, and Midland Bank. According to US researchers International Data Corporation (IDC), BPR will be "the next high-growth frontier for information technology service companies," with a compound annual growth rate of 46 per cent a year.

One attraction of BPR is that it makes IT subordinate to business objectives. "The most mature processes take a lot of IT investment to improve, but in most cases 80 per cent of the value of BPR comes out of examining the way things are organised. Only 20 per cent comes from IT," says Paul Chapman, director of business and organisation at the National & Provincial building society.

BPR often evolves out of a "total quality management" initiative.

Rank Xerox, a UK pioneer in business process redesign, took TQM as far as it could but found that it still was not meeting customer needs. Rob Walker, Rank Xerox's director of business management systems and quality, started to apply techniques similar to BPR which he had come across in Japan in the 1980s.

As a result, many of the company's processes now take substantially less time. Specialised individual contracts (for customers requiring, say, special payment or leasing terms) take less than two days to process instead of 100.

George Newman, IDC's US director of services research, estimates that the worldwide market for BPR will be worth \$2.3bn by 1996. "BPR is the high ground where the expertise of IT supplier, management and consultancies overlap," he says.

'BPR looks at the targets which the business wants to reach and works backwards to achieve them'

FT CONFERENCES

INTERNATIONAL PACKAGING AND THE ENVIRONMENT

London, 23 & 24 March
The conference is held at a time of increasing upheaval for the packaging industry as the impact of environmental legislation begins to bite. Speakers taking part include Mr Clemens Stroetmann, State Secretary at the German Federal Ministry for the Environment, Mr Sverker Martin-Löf of SCA, Dr Hans Rausing of the Tetra Pak Alfa-Laval Group and Mr György Václav of the Hungarian Association of Packaging and Materials Handling. A manufacturer's view of redesigning packaging to meet trends in European legislation will be addressed by Dr Graham Gladden of Lever Brothers and Mr Gérard Pré of Nestlé. A retailer's response will be given by Mr Michael Samuel of J Sainsbury.

INTERNATIONAL SECURITIES MARKETS: LIMITING MARKET RISK

London, 12 & 13 May
This high-level conference will focus on the multi-lateral attempts to limit market risk, and will provide a broad international perspective of market regulation, how the markets are developing and the management issues of assessing and controlling risk. Speakers include Martin Vile of the Securities and Investments Board, Jean Saint-Geours of the Commission des Opérations de Bourse, Geoffrey Fitchew of the Commission of the European Communities, Pen Kent of the Bank of England, Dr Thomas Huertas of Citibank and Jonathan Davis of BZW Equities.

VENTURE SYMPOSIUM 1992

Madrid, 3-5 June
Venture performance in the 1990s will be reviewed at this year's EVCA symposium. A panel of institutional investors will examine venture capital as an asset class, compared with alternative investment options, and discuss the advantages of investing in venture capital as part of a total investment strategy. In addition, the prospects for key industry sectors will be assessed.

COMMERCIAL AVIATION AND AEROSPACE IN EAST AND WEST EUROPE

Berlin, 11 & 12 June
Timed to precede IAA '92 at Berlin Bradenburg, the conference will focus on the opportunities for co-operation and collaboration in the aerospace industry. The implications of political changes, industrial and economic problems, and the opportunities for Western companies to develop new links with the East will be under discussion. The panel of speakers includes Mr Vitaly Yel'mov, Russian Minister of Transport, Dr Martin Bangmann of the EEC, Mr Lawrence Clarkson of The Boeing Company, Mr Adam Brown of Airbus Industrie, Mr Jürgen Weber of Lufthansa and Sir Colin Marshall of British Airways.

WORLD GOLD

Montreux, 22 & 23 June
The 1992 meeting will provide a unique forum for producers, traders, bankers and users, to debate current market trends and review the outlook for gold in the 1990s. Expert speakers will debate central bank and investment attitudes to gold, review the short and medium term outlook for the gold price and analyse the challenges facing the mining industry.

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FINANCIAL TIMES
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MANAGEMENT: Marketing and Advertising

Old Joe is giving doctors the hump

Nikki Tait investigates controversy over Camel

Is Old Joe Camel, the suave cartoon dromedary who has been credited with reviving a cigarette brand, about to become a victim of his own success?

The US medical profession certainly hopes so. It hates him with a vengeance - so much so, that the US Surgeon General called this month for a voluntary withdrawal of all "Old Joe" advertising for Camel cigarettes. Old Joe's problem, according to the medical lobby, is that children like him too much.

The furore says a lot about the tobacco advertising controversy in the US. While Europe flirts with a comprehensive ban on tobacco ads, anti-smoking campaigners on the other side of the Atlantic have settled down to a war of attrition.

In some areas, particularly at state level, there have been well-publicised successes. Californians, for example, voted in 1988 to increase tobacco taxes and devote some of these revenues to anti-smoking promotions, including advertising.

More generally, US cigarette consumption has been in steady decline - about 2 per cent a year - a trend which is usually attributed to better publicity of the health issues.

But if there is one area where the industry and the anti-smoking lobbyists still clash with particular passion, it is over promotions which allegedly target "vulnerable" consumers - ethnic groups and adolescents, in particular.

No campaign has been more controversial than "Old Joe". The Camel trademark is owned by R.J. Reynolds, the number two tobacco manufacturer. Like many full-priced brands, it had been losing ground both to aggressive rivals and cheaper cigarettes. According to RJR, Camel's domestic market share in the mid-1980s stood at about 4.4 per cent.

In 1987, however, the company decided to revamp a highly-stylised Camel campaign which was originally devised in France a decade earlier. It had featured a cartoon camel and preached a "smooth character" message.

Soon, Joe with his protruding snout - suspiciously phallic, said the critics - appeared on a massive billboard in New York's Times Square. The cartoon camel began to feature in print ads and on other promotional material. He was seen in the company of other partying camels or in suitably luxurious surroundings. He invariably commanded the scene in cool, macho style.

Last December, the Journal of the American Medical Association (JAMA) published research which suggested that the "Old Joe" ads were widely recognised by children, even those as young as three years old. Moreover, Old Joe was "far more successful at marketing Camel cigarettes to children than adults".

According to JAMA, Joe's

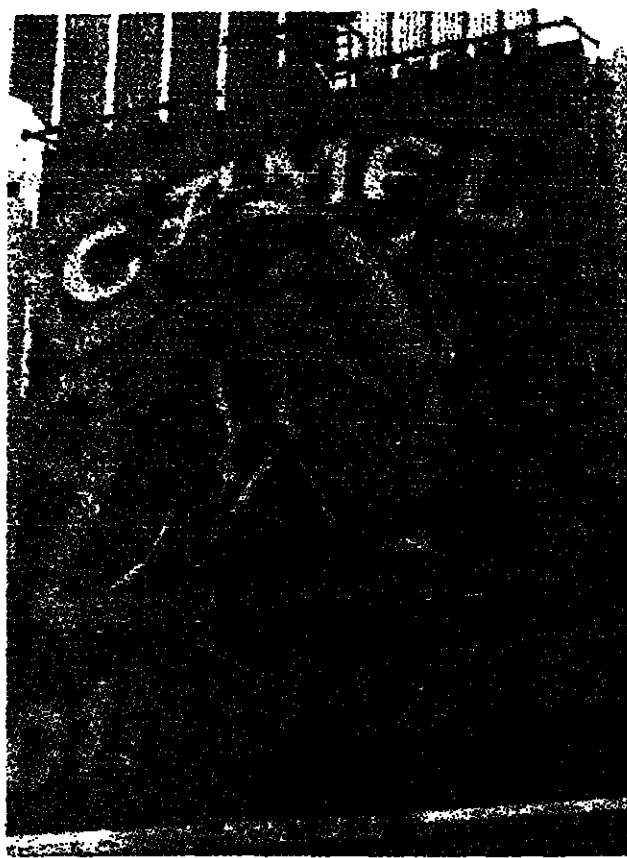
influence was evidenced by a sharp rise in the percentage of children who picked Camel as their preferred brand - 32.5 per cent in these new samples, compared with 15 per cent in surveys completed before the Old Joe campaign began.

R.J. Reynolds' response was speedy and emphatic. It claimed that its own studies (backed up by Office of Smoking and Health data) showed that 88 per cent of Camel sales went to smokers of 18-plus.

It denied any interest in encouraging "youth" smoking - not least, because of the potential backlash which this could provoke. And it noted that while the "Old Joe" campaign had successfully stabilised Camel's overall market share, it had done little to increase it. But it may not be the only US tobacco company affected by the controversy. Brown & Williamson, which is owned by Britain's BAT Industries, is currently test-marketing two new campaigns for its Kool brand.

The Ohio tests are said to involve traditional "life-style" type advertising, while the Virginia tests centre on Willie, a savvy cartoon penguin. B&W says the Virginia results are "very positive, with the penguin considered an adult symbol". Nevertheless, after Old Joe's busy experience, Willie's owners must at least pause for thought.

Nor are tobacco companies the only targets within the Surgeon General's and Ameri-



Old Joe: All lit up high above Times Square, New York

can Medical Association's sights. Lonnie Bristow, an AMA trustee, concedes that pleas for voluntary withdrawal of the cartoon camel are also aimed at providers of advertising space and at cigarette retailers who use promotional material.

Whether the anti-smoking lobby will prevail is equally debatable. R.J. Reynolds, not surprisingly, denies any backlash and suggests that most space suppliers are firmly wedded to "free speech" principles. Some evidence seems to back this up.

New York Telephone, whose booths house "Old Joe" post-

ers, says that so long as material is legal and in good taste, it would not discriminate against any advertiser.

Meanwhile, out on Manhattan's streets, an unsolicited straw poll suggests that, while retailers know all about the "Old Joe" controversy, keeping a business afloat weighs more heavily.

"Ninety per cent of kids can recognise Joe Camel, but how many associate him with cigarettes?" says the man operating a booth on 59th Street. "Educating kids about cigarettes is just not our job," remarked a drugstore manager.

Microcomputer sales revolution in store

Alan Cane looks at a hard-sell approach to software

Would you buy a nuclear power plant from a catalogue or a jet airliner by mail order? No more than you would buy a mainframe computer from a supermarket, you might think.

Yet in less than a decade, microcomputers have increased in power and fallen in cost to the point where machines with several times the power of yesterday's mainframes are being piled high and sold cheap in supermarkets.

Computers have become commodities and are being marketed like soap powder, cornflakes, or more accurately, like their simpler electronic cousins - audio equipment and video recorders.

The phenomenon began in the US a couple of years ago but the idea has now spread to Europe. The first UK computer superstore, PC World in Croydon,

south London, opened earlier this year. Next week the Business Superstore, the first in what is hoped to be a European chain of stores selling office equipment including computer hardware and software, will open in west London.

A second is already planned for Colindale, north west London. Martin Nielsen, Business Superstore chief executive has spent a year researching ways to give the Business Superstore a European look.

CompUSA's store in Dallas, Texas, the first of its chain of more than 20 throughout the US, is typical. A large, low structure on the outskirts of the town, its interior is laid out more like a grocery store than a high technology dealership.

A scattering of red-shirted sales assistants give advice when asked. The aisles are lined with processors, monitors, disk drives, and keyboards.

Microcomputer software is piled up like packets of soup. Cardboard boxes full of hardware form impromptu islands

amid the sea of electronic goodies. Prices are keen; in some cases up to 80 per cent below manufacturer's suggested retail prices.

Nielsen, a 40-year-old veteran of international retailing, aims for an approach which, he says, respects the technology. The Business Superstore will pay attention to colour, lighting and decor in a way foreign to its US equivalents.

Computer superstores are part of a revolution in the distribution of computing products. Ten years ago, the economics of the full-line manufacturer held sway. The microcomputer business was

embryonic; the computer industry sold mainframes with a price tag of \$1m (\$578,000) upwards and minicomputers costing from \$50,000 to \$1m. The gross profit margins on sales of such systems were large - at least 70 per cent and sometimes 90 per cent or more.

The computer industry justified such prices by providing customers with a complete before and after-sales service. An information technology strategy might have to be concocted. Special software might have to be written. Training would have to be organised.

Today's microcomputers are as effective as minicomputers, yet cost only a fraction of the price - say, \$5,000 compared with \$150,000. The gross margin is low - 40 per cent or less. Competition between manufacturers is forcing prices down sharply - between 25 and 40 per cent last year.

Computer manufacturers realised early on that they could not distribute microcomputers economically using their direct sales forces. From the beginning, they used dis-

tributors, dealers and value added resellers - dealers with the expertise to develop software for their customers.

Now the rapidly declining prices and margins are hacking away at the profitability of distributors and the less sophisticated dealerships. There are two principal options for survival: selling in volume with tiny profit margins, as exemplified by the superstores, or finding ways to add value to the basic hardware through software and systems integration.

There is already a broad set of variations on the superstore theme in the US. An example is the warehouse club which requires customers to be members but which offers a range of products in their original cardboard cartons at exceptionally low prices - profit margins of only a few per cent are typical. There is no sales support, training or technological expertise available.

According to Personal Technology Research, a US marketing company, more than 52 per cent of personal computer sales will go through retailers by 1995.

In 1990, sales of computers and related products through computer superstores reached \$1.15bn compared with \$700m for warehouse clubs.

CompUSA reckons to be the leading operator of large format computer superstores in the US. Last year it had sales per store ranging from \$32m to \$80m.

But it is proving a precarious business, with operating income in good years averaging 1 to 2 per cent of sales. In the three years since the company has been trading as CompUSA, it has not made an overall profit.

Business Superstore in the UK hopes to avoid CompUSA's tough financial experience although Nielsen accepts that with more than \$5m invested to date, it will take time for the business to break even.

Smoke signals emerge on EC tobacco curbs

The marketing and advertising world has received an unexpected boost from Jacques Delors, the EC president.

In the past, Delors has been associated with threats to impose tight, EC-wide restrictions on many areas of advertising and marketing.

But rather a different message came across at meeting this month between Delors and the European Publishers' Council (EPC), which groups 19 leading newspaper and magazine publishers across Europe.

The most sensitive issue is proposed legislation to ban tobacco advertising throughout the EC.

Health ministers, meeting in May, are expected to reject the plan although the outcome could be different if Britain has a Labour government by then.

Curbs on tobacco promotion were originally expected to be followed by a ban on alcohol advertising. Further legislation, threatening the advertising and marketing of financial services, food labelling, motor vehicles, distance

selling, data protection and children's toys, has been pending.

But in London, Delors told the EPC: "There is no question of tobacco today, other areas tomorrow... Tobacco is a special case". Delors added that "subsidiarity will be used more and more, and the EC will intervene less and less".

The British Advertising Association believes that Delors has been persuaded that self-regulation in line with national and cultural differences within the EC member states is prefer-

able to a blanket drive to harmonise legislation throughout the Community.

However, the Association remains cautious. Richard Wade, director general, said: "It will be interesting to see whether the new approach is applied to directives at present being formulated". Among the most important is the directive on data protection, which as it stands could eliminate many of the direct marketing activities currently conducted in the UK.

Gary Mead

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FINANCIAL TIMES
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ARTS

Moby Dick

PICCADILLY THEATRE

Moby Dick, or *Save the Whale* as it should be sub-titled, is so extraordinary that you should go and see it at once just in case it fails to catch on. Even if you don't like it, you will hardly regret the experience.

Quite the best thing about it is the staging, which has moments of sheer brilliance and uninhibited fun. The Piccadilly is a large theatre. The stage for *Moby Dick* has been extended to include what must have been the boxes in the royal and upper circles. Thus the production springs at you from an enveloping semi-circle and does so at three levels: basic stage and the two upper tiers. The fun starts even before the show proper begins. Paper darts are casually launched at the audience from the top reaches of Paul Farnsworth's set.

That is nothing, however, compared with the act of Act 2, by which time the audience has been issued with those glasses that used to go with 3D movies in the 1950s. There is then a spectacular show of small figures, paper darts and other less identifiable objects winding their way towards you, beyond and back again. It may be no more than a brief theatrical device, but it works like magic.

There are devices galore throughout, including a growing element of suspense as the white whale, which is Captain Ahab, ever going to appear, and how? It does, about 10 minutes before time, but I shall not tell you in what form, save to say that it is a most wonderful coup, mounted even better than the storm that has wrecked the stage, and indeed much of the theatre, shortly before.

You may have guessed that this is not quite the *Moby Dick* of the novel. It starts in the

girls' academy of St Godley's, which is unashamedly drawn from Ronald Searle's *St Trinian's*. The school is anarchic to say the least, and is going bust. It decides to put on show in order to raise funds, musical of Herman Melville's book, which gives free ride to the girls' animal spirits, but also produces the spirit of a team. On first hearing, I had some doubts about the merits of the music by Hereward Kaye and Robert Longden. It does not hang together in the sustained way of the best of Andrew Lloyd Webber. Not all the words of the lyrics are audible. Yet the style becomes catching as the show goes on. The second half is much better than the first and "Save the Whale" at the end had the first night audience stomping.

The undoubted star in a team performance is Tony Scroop as the headmistress of St Godley's and as Captain Ahab. I'm not sure that all the lines are good enough for him, though "Obsession isn't just a perfume" certainly is. Watch him singing, wearing large earrings, bouffant hair, a dinner jacket, a long panama shirt and a huge chicken pad on his right leg in place of the peg. There is a zest in the production that makes up for any deficiencies in the script.

The fair for detail continues even after the show is over. A set of red London double-decker buses is waiting outside the theatre to take the girls back to St Godley's. Cameron Mackintosh, producer and impresario, deserves credit for picking the show up. It was performed, in a different version, at the Camden Jazz Festival in 1988. It has been a long haul to get it right; it is not quite right yet, but nearly.

Malcolm Rutherford



Annette Bening and Warren Beatty in 'Bugsy'

CINEMA

Sweet-and-sour gangster epic

It is the late afternoon of a gangster's life. A glided haze drifts around his home; the sun slants into his soul through the holes in his conscience. Bugsy Siegel is about to meet his maker. But who did make Bugsy Siegel? According to *Bugsy*, the movie, it was a combination of God, Meyer Lansky and the West Coast gambling and showbiz industries. This brilliant sweet-and-sour gangster epic directed by Barry Levinson (*Rain Man*) and written by James Toback (*The Gambler*, *Fingers*) first does the unspeakable - glamorising its hero-villain by casting Warren Beatty as the Brooklyn-born mobster who stole, killed and created that perdition zone called Las Vegas - and then transcends it with the irresistible.

Bugsy Siegel was evil. But he did not rise to evil's heights without charm and self-promotional flair; nor without wearing the best suits and seducing the best women. Ergo: Toback and Levinson see the successful gangster as a not-too-distant cousin to the successful movie star. More, they discovered that Bugsy himself made a screen test soon after being posted to Los Angeles by his New York crime-partners Lansky and "Lucky" Luciano. In the event, Bugsy's experience of stardom was confined to romancing aspiring actress Virginia Hill (Annette Bening) and to persuading the Hollywood famous to buy shares in his Flamingo Hotel.

The building costs of this "folly" in the Nevada desert rose from \$1m to \$6m, causing Lansky and Luciano to fume and Siegel to seal his own death warrant. He was gunned down on June 20 1947. The hotel went on to become Las Vegas and Las Vegas went on to become the El Dorado of the New West.

The film has a mythical acoustic so potent that we never believe we are watching merely a Siegel biopic nor merely a Beatty ego-trip. (The star also co-produced.) It is about both men and all men, and it is about human contradictions. Though Bugsy Siegel is the insect in each of us - that part of ourselves tempted by dark scuttling pathways to self-fulfilment - he was finally undone by building his dreams in broad daylight in a broad desert.

Toback and Levinson confer on the man a bizarre innocence. He is a narcissist who checks his hair in a glass while beating up a fellow gangster; he frets over his screen test while re-running it on a home projector; and he wows his girlfriend with cornball-wildfire lines - "I wish the two of us could be alone on Coney Island eating a couple of hot dogs together" - that in another film would be derisory rather than derided.

Photographed in a seductive haze by Allan Daviau, the film is the dream of a man with an ethereal conscience. Morally as well as geographically this *Bugsy* is in Louisiana, where the outward view is as unreal as the inner perceptions; from the idyllic painted matte-shot that introduces Hollywood to Siegel and

Virginia's first meeting on a soundstage "hilltop".

As in his other nostalgia dramas - *The Natural*, *Avatar* - director Levinson sees the past as a kind of human aquarium, where the drama of survival is so slow-motion that it can be mistaken for lyricism. But *Bugsy* never loses sight of the hidden cruelties. Beatty, whose looks, age and a receding brow have now Nixonised, makes Siegel a charmer who can turn in an instant to brawler or black magician. And Bening is a marvel. Her acid malevolence of voice and odd, tense pretenses - like Lupino in a good light, Gloria Grahame in a bad - are both a tinder to Bugsy's evil and a précis of this movie's world. It is a world where that familiar duo the Bad and the Beautiful have progressed from being just good

BUGSY
Barry Levinson
LA BELLE NOISEUSE
Jacques Rivette
SHINING THROUGH
David Seltzer

friends to being fast, inextricable lovers.

Jacques Rivette's *La Belle Noiseuse* is a 4-hour French film about an ageing painter (Michel Piccoli). It is directed by a man whose work hitherto has been noted for a few shipshape vessels - *L'Amour Fou*, *Celine And Julie Go Boating* - floating in a Sargasso Sea of interesting wrecks (*Out One, Duellé, Nocturne*).

Do we tempt you? I thought not. But *La Belle Noiseuse* - roughly "the beautiful nuisance" - is a masterpiece. It takes all the exasperating Rivette traits and makes them riveting. The source is a Balzac story in *Out One*. The people do a lot of talking. Art, sex and death are favourite subjects. And a group of round-up the usual suspects French stars, led by Piccoli and Jane Birkin, take up acting space in a weatherbeaten country home that Rivette might be time-sharing with Eric Rohmer.

Piccoli is the artist trying to end a ten-year creative block by painting a new and noble model (Emmanuelle Béart). The two enact their *corrida* of creativity in a cavernous studio, she forcing his emotions to the surface, he coaxing her body into positions known previously only to the Kama Sutra. Meanwhile, artist's wife Birkin and model's husband David Burstein pose the Piccoli estate, like anxious spouses waiting for the birth of what they hope (but doubt) is an artistic offspring related to them. The film spends loving minutes - nay, tens of minutes - watching the artist's hand deflower blank sheets and canvases. (In close-up painter Bernard Buffet's hand substitutes for Piccoli's). Often the only sound is a steel pen scratching lines on white paper, interspersed with picador remarks from Piccoli like "When I was young I enjoyed

pulling my toys to pieces."

Sado-masochism is clearly part of this artist's game plan. But comical serendipity is just as important. He finally "finds" his spontaneous gesture and Piccoli, half drunk with red wine, falls off his stool. As the painting sessions crawl on through their strange eternity - though to us it never feels like one - the girl takes increasing command and the artist becomes her blustering tool, raving about creative "maelstroms" and "hurricanes".

An entire sex war is depicted here, further enriched by Mlle Birkin's outrage that the canvas she once modelled for (*La Belle Noiseuse*) is now being effaced and painted over by her faithless spouse. "You've put buttocks in place of my face!" she cries. Was ever marital despair so plainly, pitifully imaged forth?

This is a dazzling study in the birth-pains of art and the growing-pains of art's relationship with life and love. The film presents creativity not as some ponderous, uncomprehended sacrament à la Hollywood - Beethoven out in the storm, Van Gogh mystically eyeballing his sunflowers - but as a direct, chaotic extension of daily life, daily need and daily passion.

It would do Melanie Griffith's heroine in *Shining Through* a power of good to sit for M. Piccoli. He would have her clothes off in an instant and she would be writing on the floor. As it is, the only exercise the overdressed Miss G gets in this daff wartime thriller is to run from Potsdam to Berlin one night in high heels and an opera gown.

Have you ever tried this? It is, I assure you, impossible. But then so is everything. In pre-Blitz London. When she offers to smuggle herself into Berlin and pose as a cook for a top Nazi in order to grab vital doodlebug-bomb secrets, how could Douglas refuse? She speaks perfect German and her Apple Strudel she claims is a knockout. So off she goes to meet Sir John Gielgud as "Sunflower", our man in back-projected Berlin.

The rest is history; or rather thank goodness it is not and never was. There are hairsbreadth 'scapes, hair-raising scrapes, and herrings and skates. (The heroine hides her messages in a fish shop.) There is also Miss Griffith's voice, that high piping gurgle resembling a cat trapped in a water deposit. With this she delivers the film's voice-over narration which reaches its finest hour when explaining the plot's time scheme. "I knew it was Friday, because the next day was Saturday." By final reel she is staggering past German bullets to the finishing post. But the audience has already left for the bar, totting up its losses.

Nigel Andrews

The Burrow/Manon

SADLER'S WELLS/COVENT GARDEN

It might be wrong to accuse the Birmingham Royal Ballet of corporate schizophrenia, but the company personality underwent a marked change during the triple bill which initiated a season at the Wells on Tuesday. The evening began with David Bintley's *Calanthe*, lately acquired for the repertory. It is a classical conversation-piece, set to two early Mozart scores, in which the dancers exchange academic proprieties in hushed voices. The set and costumes are fuzzy grey; the tone is muted and somehow remote; movement looks polite, numbed. Miyako Yoshida and Sandra Madgwick are advocates for summer, larger-scaled things, but mimesis rules.

Very different the look of the cast after the interval, when MacMillan's *The Burrow* took the stage. I reported on this study in claustrophobic anguish after its revival at the Birmingham Hippodrome last autumn. It projects even more strongly, seems more ridden by terror, on the confines of the Wells stage. And its cast - with memorably good interpretations from Marion Tait as the Woman, Desmond Kelly as the Outcast, Michael O'Hare as the Joker - expose every nerve and every fearful twitch of the psyche in bold movement.

And as the necessary relaxation to end the evening, there is *Elle Syncope*. The company romp, relax, show-off. A couple of the numbers need to be sharpened but Marion Tait, deliciously mocking, and the extra-sec Joseph Cipolla, are stylish, ideal. The score, under Jonathan Higgins, is no less witty. For the two earlier pieces, Anthony Twiner drew sound performances from the Royal Ballet Sinfonia.

Darcey Russell is making her debut in *Manon* at Covent Garden this season. In her appearances in other MacMillan ballets - her creation of *Prince of the Pagodas*; as the Woman in *Song of the Earth* are good examples - and in

such challenges as Balanchine repertory or traditional 19th century works, she offers a combination of technical grace and a trusting devotion to the choreography which is dazzling to watch. The dance is there, unadorned by anything save the integrity of Miss Russell's manner and the felicity of her physical command. There is mystery - that mystery we sense in the presence of any prodigally gifted young artist - but it is bewitchingly mixed with an innocence that comes from talent that does not know how to dance badly.

Yet as *Manon*, in her second performance which I saw on Monday night, her abilities did not seem to reflect the complexities of the character or to engage fully with the role. Of course she danced beautifully in the first two acts, and piteous in the third (though her wig was a brute). Of course she conveyed the varied lures of true love in a garret and glided vice in a house of assignation. But her sincerity of temperament made *Manon* too guileless, too unashamed in sexuality and feeling. She was not selfish enough. And it must be said that the choreography is best suited to a smaller physique. The swooping, curving images through which MacMillan tells of *Manon's* charms gain their fullest meaning with a more contained frame - even one more able to suggest the intoxicating, kittenish aspects of the girl's irresistible and fatal allure.

This is, one must remember, a first sketch of a reading; experience, and her own great gifts, will surely show Miss Russell the way to *Manon's* ever-changing, ever-fascinating heart. She had the real advantage of Zoltan Kocsis as des Grieux. He is an absolutely secure partner - strong, sensitive - and he made something ardently responsive of the young man's infatuation.

Clement Crisp

BBC Symphony Orchestra

ROYAL FESTIVAL HALL

A favour was inadvertently paid by one orchestra to another at this concert. While the "Towards the Millennium" festival has been marking the decade 1911-20 by performing standard musical works that we could expect to hear anyway, the BBC has really taken the plunge and scheduled a major variety on the same years - a vast and sprawling tone poem as lavish in its orchestral resources as it is ambitious in scope.

This was *Zdrsti* ("Ripening") by Josef Suk. Written in 1912-17, the work is in every way a child of the decade into which it was born. There is an extravagance in the materials used, a lack of discipline about the musical logic, that was typical of the dying embers of romanticism, before war and a new order snuffed out any last flickering desire on the part of composers to write big orchestral works of this kind more or less for good.

In its layout, and often in sound too, *Zdrsti* comes across as a less memorable version of Strauss's *Also sprach Zarathustra*. A poem by Antonín Sová provides a vague programme; the musical structure is described as fluid (or, to put it less kindly, diffuse). Out of seductive clouds of texture a distinct musical idea will from time to time emerge into the foreground; but as soon as one

starts to get a hold on it, it is gone and the listener is left agonising at an indeterminate wish of sound.

So as not to seem entirely ungrateful, it should be stated clearly that those sounds are sometimes beautiful, sometimes formidable, always imaginative. Suk clearly knew how to write for a vast orchestra on a Straussian or Mahlerian scale, replete with seven extra trumpets, piano, celesta and just about as many as possible of everything else. The BBC Symphony Orchestra under Andrew Davis is to be commended for taking up so adventurous a challenge and one imagines that they made a thoroughly professional job of it.

They certainly had of the earlier items in this all-Czech programme, Janáček's *Sinfonietta* was decisively played, bold, rhythmic, assertive. Dvořák's Cello Concerto went with an unproblematic easy lyricism. The soloist in the latter was Heinrich Schiff, whose ability to make any piece of music turn upwards upon itself unlocked in this familiar concerto a private inner sanctum rarely revealed. There is still much in Czech music to explore as the millennium approaches.

Richard Fairman

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

BERLIN

Schauspielhaus 20.00 Carlo Maria Giulini conducts the Berlin Philharmonic in music by Mozart and Mahler. Tomorrow and Fri: Günter Neuhold conducts the Berlin Symphony Orchestra in symphonies by Brahms and Mahler, plus Bernstein's *Hail, Sun*. Haydn programme with the Berlin Radio Orchestra (East Berlin 2050 2156). Philharmonie Kammermusiksal 20.00 Members of the Chamber Orchestra of Europe play chamber music by Schoenberg, Elliott, Kent Nagano conducts the COE in music by Wagner, Mahler and Schoenberg (West Berlin 254890). Tomorrow in Czechoslovak Cultural Centre: song recital by Magdalena Hajosova and Peter Mikulas (East Berlin 208 2562). Deutsche Oper 19.30 Peter Schneider conducts Günter Krämer's production of *Die Entführung aus dem Serail*, with Luba Orgonova as Konstanze and Matti Salminen as Osmin, also Sun. Tomorrow: Lucia di Lammermoor with Lucia Ailberti and Alfredo Kraus. Sat: *Le nozze*

di Figaro (West Berlin 3410 249). Staatoper unter den Linden 20.00 Christoph von Dohnanyi conducts the Berlin Staatskapelle in Schubert's Eighth Symphony and Dvořák's Ninth, repeated tomorrow. Sat: Michael Gielen conducts Pelléas et Mélisande. Sun: Iphigénie en Aulide (East Berlin 2004 762).

CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts the Chicago Symphony Orchestra in Beethoven's Fifth Piano Concerto (soloist Evgeny Kissin) and Corigliano's First Symphony, repeated tomorrow afternoon and Sat evening. Tomorrow evening: Jessye Norman song recital. Sun. afternoon: John Adams conducts the St Paul Chamber Orchestra (435 6666).

GENEVA

Grand Théâtre 20.00 Lieder recital by Robert Holl, accompanied by Andreas Schiff. Sat: Così fan tutte (212311).

LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts the Gewandhaus Orchestra in an all-Strauss programme, with Julia Varady soloist in the Four Last Songs (7132 252). Tomorrow: Sat song recital by Simon Estes (7168 273).

LONDON

Dance Covent Garden 19.30 Royal Ballet presents the world premiere of

Kenneth MacMillan's *The Judas Tree*, with Irak Mukhamedov and Viviana Durante, music by Brian Elias, as part of a triple bill with two Balanchine choreographies. Repeated tomorrow, Mon and Tues. Sat: Britten's *Death in Venice* (071-240 1066). Sadler's Wells 19.30 Birmingham Royal Ballet in Peter Wright's production of *Giselle*. Also tomorrow, Sat afternoon and evening, plus next Mon. BRB London season continues till March 28 (071-278 8916).

THEATRE

Hearst Theatre: Vanessa Redgrave, Paul Scofield and Imogen Stubbs star in *G B Shaw's* comedy, directed by Trevor Nunn. Opens tonight (Haymarket 071-930 8800). ● Some Like It Hot: Tommy Steele returns to the West End to direct and star in this musical version of the classic Billy Wilder film. Cross-dressing is the order of the day as two male musicians on the run from the Chicago mob find work with an all-female troupe. Opens tonight (Prince Edward 071-734 8951).

● Uncle Vanya: Ian McKellen and Antony Sher star in the National Theatre's subtle production of Chekhov, directed by Sean Mathias (tomorrow and Sat, also Mon to Thurs next week). The NT repertoire also includes *The Wind in the Willows* (final performances this weekend) and Alan Bennett's *The Madness of George III* starring Nigel Hawthorne (071-828 2252). ● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961

Thrillers 0836 430962 OPERA/CONCERTS Covent Garden 19.30 James Holmes conducts David Pountney's ENO production of Kurt Weill's *Street Scene*. Tomorrow: Il barbiere di Siviglia. Sat: Monteverdi's *Orfeo* (071-836 3161).

Barbican 19.45 Jeffrey Tate conducts the London Symphony Orchestra in Elgar's *Froissart* overture, Rakhmaninov's First Piano Concerto (soloist Peter Donohoe) and Sibelius' Second Symphony. Tomorrow: Andrew Davis conducts the BBCSO. Sat: Hans Vank conducts the ECO (071-638 8891). Royal Festival Hall 19.30 Ralph Litton in concert. Tomorrow: Christopher Parkening plays Rodrigo's *Concierto de Aranjuez* with the RPO conducted by Andrew Litton. Sat: London Bach Orchestra. Sun: Andreas Schiff (071-928 8800). Queen Elizabeth Hall 19.45 Lovett conducts choral music by Puccini and Fauré. Sat and Sun: the Brahms Experience, with Roger Norrington, the London Classical Players and the Schutz Choir (071-928 8800).

NEW YORK

Carnegie Hall 20.00 Klaus Tennstedt conducts the London Philharmonic Orchestra in Beethoven's Fifth and Sixth Symphonies. Sat: Mark Ermler conducts the Moscow Philharmonic. Sun: New York City Gay Men's Chorus pays a musical tribute to Bernstein (247 7800). Metropolitan Opera 19.00 Don Carlo, with Aprile Millo, Bruno Boccara, Samuel Ramey and John Tomlinson. Tomorrow: *Parsifal*. Sat: *Rigoletto* (362 8000).

State Theater 20.00 St Petersburg National Opera in Tchaikovsky's *Queen of Spades*, also tomorrow. Sat afternoon and evening: Boris Godunov. Sun afternoon and evening: Rimsky-Korsakov's *Golden Cockerel*. Season runs till April 5 (307 4100).

PARIS

Opéra Bastille 20.30 Opening concert of a three-day festival in the Bastille Amphitheatre and Studio, focusing on the British composer George Benjamin. Tonight's concert of music by Benjamin, Birtwistle, Benedict Mason, Tristan Murrill and Luca Francesconi is played by the London Sinfonietta. The festival continues tomorrow and Sat with lunchtime and evening events. Tomorrow in main theatre: Elektra (4001 1616). Tomorrow in Châtelet: Lorin Maazel conducts the Ensemble InterContemporain in a programme of 20th century American music (4028 2840).

ROME

Teatro Olimpico 21.00 Kronos Quartet (323 4690). Teatro dell'Opera 20.30 Will Humburg conducts Adolf Hohenstein's production of *Tosca*, with Giovanna Casolla, Kristian Johansson and Silvano Carroli. Runs till March 29, with next performance on Sun. Sat: La Gioconda (488 3641).

STOCKHOLM

Konserthuset 19.30 Paavo Berglund conducts the Stockholm Philharmonic Orchestra in Kallonen's Fourth Symphony,

Grieg's Piano Concerto (soloist Leif Ove Andnes) and Nielsen's Sixth Symphony, repeated tomorrow (244130). Tomorrow in Berwaldhallen: Heinz Holliger conducts the Swedish Radio Symphony Orchestra in music by Spohr, Klaus Huber and B A Zimmermann. Sat afternoon: Alexander Schneider conducts music for strings by Mozart and Stravinsky (784 1800). Royal Opera 19.00 Johannes Fritzsche conducts Knut Hendriksen's production of *Le nozze di Figaro*, sung in Swedish. Sat: Siegfried Köhler conducts first night of August Everding's new production of *Arabella* (248240).

VIENNA

Staatsoper 19.00 Bruno Weil conducts *Entführung aus dem Serail*, with Cheryl Shaver, Laurence Dale and Heinz Zednik. Tomorrow: *L'elisir d'amore* with Pavarotti. Sat: Der Rosenkavalier. Sun: Aida (51444 2960). Musikverein 19.30 Salzburg Soloists, with piano soloist Alexander Jenner, play chamber music by Beethoven. Tomorrow: Emerson String Quartet. Sat: Hilliard Ensemble in medieval Spanish music. Sun at 11.00: Multi conducts the first of the Vienna Philharmonic's 150th anniversary concerts (505 6190). Konzerthaus 19.30 Katia and Marielle Labèque play music for two pianos by Albeniz, Ravel and Infante. Tomorrow: Ivan Fischer conducts Mahler's Second Symphony. Sat and Sun: the Labèque Sisters play Martinu's Concerto for two pianos with the Vienna Symphony Orchestra (712121).

European Cable and Satellite Business TV

(all times CET)
MONDAY TO FRIDAY
CNN 0900-2300, 2300-2350 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman
Super Channel 0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTTV
0930-0900 (Tues) Spiegel TV - Int Report - the real world of documentary
2130-2200 (Tues) Media Europe - where new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Selini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0930-0900 (Fri) FT Business Weekly
2130-2200 (Fri) Spiegel TV - Int Report
SATURDAY
CNN 0900-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week
Super Channel 1900-2000 FT Eastern Europe Report
SUNDAY
CNN 0930-1200, 1830-1930 World Business This Week
Super Channel 1800-1930 FT Business Weekly
Sky News 1300-1400, 2030-2100 FT Business Weekly

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After
apartheid

PRESIDENT FW de Klerk has won the referendum. Now his troubles begin. In the most momentous decision in their 400 year history, white South Africans have shown they accept that minority rule can no longer be sustained.

Yet it is too soon to enjoy the luxury of excessive hope, and the world must now find ways of assisting South Africa to consolidate its transition to a post-apartheid society. The perils that lie ahead remain daunting. A third of voters opposed reform and opted for the fantasy of violence from these right-wing extremists has never been greater. They have many supporters within the ranks of the police and the army. Their last constitutional opportunity to resist political reform has been resoundingly lost.

The government has emerged from the referendum better equipped to cope with this threat. The significance of Mr de Klerk's victory goes beyond the mandate for negotiations that will end white rule. A new alliance between Afrikaans- and English-speaking whites has been forged, bringing the liberal Democratic party and the ruling National party together in pursuit of a common goal. If he is to disarm extremists of the left and the right, as sooner or later he must, the president can now claim strong political backing.

Painful process

It has been a painful process. White South Africa inflicted much suffering before bowing to the inevitable. The impact of sanctions, the fear of isolation and of spiralling violence - all added up to overwhelming pressure to abandon apartheid. Had Mr de Klerk's gamble failed, internal conflict would have been inevitable. An unstable South Africa would have jeopardised the fragile peace process in Angola and Mozambique.

Manifesto
to manifesto

THE Conservative manifesto published yesterday is twice the length and twice the price of Labour's. This does not mean it is twice as good, although Mr Major's programme contains more novel ideas than Mr Kinnock's.

Whereas Labour's document is the umpteenth in a series which began with the watershed policy review in 1987, Mr Major's is the work of a team which achieved power suddenly and has never quite had time to think through what it stands for.

With Labour, the game is to study the passage in successive documents on, say, energy, and then to try to work out whether a change in wording represents a policy shift or just word processor blindness. Because Labour has been in opposition so long, all we have to go on is its language, which is witty and often buckles under the strain of scrutiny.

It is fitting that the Tory document should have on its cover a picture of the prime minister. This is the book of the man: level-headed and clear about the central principles of individual choice and market forces, supplemented by a commitment to better public services. The challenge of Mr Major's second administration, if there is to be one, will be to reconcile these two themes. In this document, that reconciliation is not achieved.

The strongest parts of the manifesto are those Mr Major inherited from Mrs Thatcher and upon which he has built increased competition in public utilities, privatisation, performance-raising new structures in health and a genuine commitment to the minimum necessary regulation of enterprise.

Its line on Europe is Thatcherism modified more in style than substance: no to the social charter, but yes to a community of 23 by the end of the decade, and an openish mind on monetary union.

Vague targets

Like his predecessor, Mr Major favours lower taxes: unlike her, he is prepared to tilt that policy in favour of the lower paid. His targets for balanced budgets and reduced public spending are vague. But it is in wrestling with the public sector and regulating the lives of citizens that the new approach emerges.

This is a world of badge-wearing civil servants; inspectors for everything that moves, from social workers to firemen; task forces on truancy and empty government property; a new Urban Regeneration Agency and an Environment Agency; even a Hedgerow

bique. The region's worst drought in living memory would have claimed many lives had the absence of secure access to South Africa's ports and railways, needed to import the maize required to prevent starvation.

That nightmare is over. The way is open for the early installation of a multi-racial interim government, based on principles already agreed by the 19 organisations attending the Convention for a Democratic South Africa (Codesa). This should cement an alliance between Mr de Klerk and the African National Congress president, Mr Nelson Mandela, the two men who hold South Africa's future in their hands.

Negotiating skill

But Mr de Klerk still needs all the help he can get. The ANC may be the Nationalists' most promising partner, but not all of its leaders are natural democrats. Its links with the South African Communist party persist. Maintaining human rights and a private enterprise economy will require great negotiating skill and a huge amount of luck. As yesterday's budget shows, South Africa's economy is in a state of no chance of meeting rising black expectations and assuaging white extremists' fears within existing financial resources.

So there are many potential pitfalls ahead. The new South Africa deserves substantial assistance to help it redress the legacies of apartheid, and boost an economy sapped by the need to run a balance of payments surplus in order to service its external debt. It should have access to International Monetary Fund facilities, and recourse to the World Bank and other lending agencies. The sooner the outside world ensures that these resources are made available, the better the prospects for a democratic South Africa.

Incentive Scheme

Proud reference is made to the Saver Cities programme and its "12 schemes to improve street lighting". Who said this was a government that had run out of ideas? It has ideas on elephants, battery hens, joy riders, caravan sites and even on the millennium, which is to have its very own fund, paid for by a lottery.

Nanny state

What shall we name this vision? Surely it is none other than the nanny state, wearing a smart blue pinafore. There she beckons, as through every chartered street we go.

The central problem is that these Christmas stockings full of policies and quangos, some good, some bad, hang from a tree of centralised government, which is willing under the burden. The Tories are so opposed to constitutional reform, strong local government or even local debate on the democratic accountability of public services, that such issues are nowhere addressed.

Instead of a city-wide government, London is to be supervised by a minister of London public transport and a cabinet committee chaired by the environment secretary.

Labour, to its credit, is thinking its way through this inescapable agenda of governance, proposing substantial decentralisation and reform, albeit with gaps and self-contradictions.

The worry with Labour's manifesto is the old one. On markets, the party talks the talk, but will it walk the walk? Government is there "to ensure that the market works properly". But Labour will rationalise the electricity grid, block competitive tendering in the NHS and local authorities, introduce a minimum wage, cut coal imports. It wants a National Investment Bank, but one "operating on strictly commercial lines", in which case, it must be asked: what's the point? At heart, Labour still believes that enhanced performance can be delivered at least as well by administrative fiat as by competitive forces.

There are, of course, also policy overlaps and common blind spots. Both parties want a broadcasting and arts ministry and neither has a credible plan to revive the rental market in housing. But, taken with their sharply differing views on personal taxation, these two manifestos confirm that Britain faces a choice. It lies between parties which are distinctive from each other, but neither of which has a monopoly of good sense.

After 40 years caught in the time-war of apartheid, South Africa's whites have finally opted to join the modern world. Within months, the white government will have abandoned the exclusive hegemony of centuries, and blacks will enjoy political power for the first time.

For yesterday's unequivocal "yes" vote for political reform takes the country past a point of no return on the road to multi-racial democracy. President FW de Klerk declared yesterday: "Today is the real birthday of the new South African nation. We have closed the book on apartheid."

Mr de Klerk - who gambled his political future on Tuesday's whites-only referendum - could not have been more delighted at a vote which was both surprisingly large and overwhelmingly positive (and came on his 56th birthday). Defeat in the referendum would have been a disaster for the National party, and for South Africa. Instead, the landslide win will propel the country towards early agreement on a multi-racial interim government, and the international acceptability that such a move will bring.

The breadth of support for Mr de Klerk - from rural Afrikaans communities to urban English-speakers - will have surprised even the most sanguine party official. Only hours before the poll, National party organisers were predicting at best a 55 per cent "yes" majority, well below the eventual 68.7 per cent victory. In the end, only one of the country's 10 regions voted "no": the northern Transvaal, the last refuge of the ultra-right, where border farmers have fought for years against real or threatened terrorist incursions, where drought and poverty have radicalised whites.

But even in more liberal areas, informal exit polls suggest that relatively few "yes" voters were inspired by the glorious vision of racial justice and equality proclaimed so eloquently by Mr de Klerk in his victory press conference. Many voted for largely negative reasons: to prevent the ANC's ascendancy; to prevent a constituent assembly drawn up by a post-apartheid constitution, with decisions taken by a two-thirds majority.

This body would sit for about a year until elections were held under a new constitution which would enforce power-sharing for a further five years. The new parliament would be bicameral, with disproportionately large representation in the upper house for minority political parties, apportioned by region. And crucially, many powers would be devolved from central government to the regions. For this is the key to the National party's plan for preventing black domination: the ANC could dominate central government, but many of its powers would have been removed. In several regions, whites would continue to have a large say in areas such as education and fiscal policy.

The plan could change - especially if the big "yes" vote inspires Mr de Klerk to take a tougher line in Codesa on the ground that he can strike a harder bargain backed by such a large majority of whites. Conversely, the ANC might decide to be tougher, now that Mr de Klerk can no longer raise the

issue of a referendum. For the future of the newly united right must be tenuous at best. The Conservative party may struggle on for weeks or months making a show of unity where none truly exists. But eventually, the young moderates who argue for a

South Africa's 'yes' marks
a political point of no
return, says Patti Waldmeir
The gamble
pays off

Victory: de Klerk says 'we have closed the book on apartheid'

Nationalists, who have always insisted on a second chamber, a sort of "house of minorities", to protect whites. Such a legislature would meet the ANC's main demand: that an elected constituent assembly draw up a post-apartheid constitution, with decisions taken by a two-thirds majority.

For the referendum campaign focused largely on other issues: the threat that CP policies would provoke international sanctions, and keep South Africa out of world sporting events; the spectre of socialism from the ANC. They knew they were voting for reform - but not at the breakneck speed now likely from Codesa. Unless the proposed constitutional deal is substantially altered in weeks to come, Mr de Klerk will be left with no choice but to reverse some referendum promises. Voters may feel betrayed, but with no further referendum planned to seek their approval for a final constitution, they will have little chance to show it.

Herein lies the risk that the ultra-right - left with no legal outlet for opposition after yesterday's resounding defeat - will turn to violence. For the future of the newly united right must be tenuous at best.

The Conservative party may struggle on for weeks or months making a show of unity where none truly exists. But eventually, the young moderates who argue for a

bogey of the right wing to force concessions from it on minority rights. Either way, an interim government should be quickly in place.

Many "yes" voters are likely to be dismayed when the outlines of the draft constitutional settlement emerge in public. For the referendum campaign focused largely on other issues: the threat that CP policies would provoke international sanctions, and keep South Africa out of world sporting events; the spectre of socialism from the ANC. They knew they were voting for reform - but not at the breakneck speed now likely from Codesa. Unless the proposed constitutional deal is substantially altered in weeks to come, Mr de Klerk will be left with no choice but to reverse some referendum promises. Voters may feel betrayed, but with no further referendum planned to seek their approval for a final constitution, they will have little chance to show it.

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The Conservative party may struggle on for weeks or months making a show of unity where none truly exists. But eventually, the young moderates who argue for a

more pragmatic form of "self-determination" - and who might eventually settle for strong regional autonomy rather than a geographical homeland - must either hijack the party or break away from it. The radical rump, along with the paramilitary Afrikaner Resistance Movement (AWB), can be expected to destabilise negotiations with bombs or bullets.

The risk of radicalism from the left is equally worrisome: as referendum results were being announced yesterday in Cape Town, thousands of ANC supporters demonstrated noisily outside. They were not objecting to the referendum - indeed, the ANC did all it could to ensure a "yes" vote, clearly terrified of the prospect of negotiating with the racists of the CP. They were protesting against the national budget presented yesterday by Finance Minister Mr Barend du Plessis. The hammer and sickle of the South African Communist party was much in evidence, and posters demanded "jobs for all".

The demonstration - illustrated the point often forgotten during the whirlwind referendum campaign: that successful political transition will be difficult against the background of South Africa's chronic unemployment (as many as 55 per cent of blacks are estimated to be unemployed) and three-year recession. For Mr de Klerk must now turn away from the sidish of white politics and tackle the country's biggest problem: the economy.

Recent figures from the South African Reserve Bank, the central bank, highlight the problem: real gross national product per capita has fallen from R3,905 (£781) in 1981 to only R3,275 last year. Unemployment continues to rise, the distribution of income is seriously skewed, inflation is in double figures, skills are short and labour and capital productivity low.

For while business yesterday welcomed the referendum outcome - which could lead to the lifting of further international sanctions, with some nations likely to agree to the lifting of the United Nations oil embargo - they know that only new investment can rescue South Africa's economy. And though Mr de Klerk promised, during the election campaign, that a landslide "yes" vote would bring new foreign investment, he must have known that to be an unlikely prospect. Foreigners have not failed to invest because they feared the right-wing threat which has now been defused: they fear the ANC and the socialist bent of its economic policies.

The ANC is due to hold an economic policy conference next month, at which the vexed issue of nationalisation will be debated. Though Mr Nelson Mandela, ANC president, has recently said he is reconsidering the issue, it remains immensely popular with the ANC rank and file, and with other ANC leaders.

Politics has no answer for the problems of South Africa's economy. That is where the real battle will be joined between white and black: over the economic legacy of apartheid, over how to guarantee the prosperity Mr de Klerk has promised to all his constituents in the new South Africa.

BOOK REVIEW

Germany
comes home

A larger Germany has become of larger interest to its neighbours. The rest of Europe is now well aware that events in unified Germany have a crucial influence on a continent in transition. At the same time, it is apparent that in its efforts to make a success of unity, Germany faces a task of epic proportions.

Germany may well be on the way towards strengthening its financial and industrial dominance, as well as achieving new political sway too. But the sheer psychological, as well as economic, challenge of integrating the two parts of a two-tier nation is considerably greater than optimists like Chancellor Helmut Kohl believed 15 months ago.

For all these reasons, books on Germany are a welcome addition to reading lists. These three diverse volumes share a common merit: they set out the material in a way likely to appeal both to a casual and specialist student.

Watson, a broadcaster and businessman, examines German history, culture and geography with sympathetic rigour. His book, which grew out of the recent four-part Channel 4 documentary on Germany, suffers from an inevitable drawback: its somewhat stilted prose reads like something meant to be spoken in front of a camera. Yet perhaps this is no bad thing. Watson strips Germany down to its basic parts: East and West, Protestant and Catholic, Deutsche Bank and Daimler-Benz - and reassembles the components before the TV lens.

No stone has been left unturned, in both east and west, to track down interviews, from the Bundeswehr spokesman who opposes conscription, to Mr Helmut Schlesinger, the president of the Bundesbank, who admits a little too readily that his institution would only sanction the creation of a European central bank if it were "almost exactly" a copy of the Bundesbank itself. The result is a very thorough anatomy, ending with the optimistic conclusion that the united Germans have now at last "come home" in Europe - for the good of the whole continent.

Miller's book is also a very visual narrative, in a wholly different - and highly original - manner. A journalist who first lived in East Berlin when working for Reuters in 1981, Miller has assembled a fascinating cast of real Berliners who compellingly relate stories of their own lives - and of Germany.

The tale starts in Miller's favourite East Berlin haunt, a agreeably melancholic bar which forms a heavy meeting point for disgruntled locals. And the story keeps returning there throughout a series of meandering episodes leading to Miller's own escapades in East

THE GERMANS: WHO ARE THEY NOW?
By Alan Watson
Methuen, £17.99

TOMORROW BELONGS TO ME
By Peter Miller
Bloomsbury, £17.99

THE ECONOMY OF UNITED GERMANY
By W R Watson
St Martin's Press/Christopher Hurst, (no price indicated)

Berlin during East Germany's ill-starred 40th birthday celebrations in October 1989, when the Wall was breached a month later.

Miller's incursions into contemporary politics can sometimes be injudicious. But, in a book which brings together a sharp eye for incongruous detail with the racy flair of a novelist, Miller convincingly sums up the bitter-sweet atmosphere of East German life, shabby but somehow secure, before and during the fall of communism. Through the rotating prism of the beer glasses in the Metzger Eck pub, Miller shows the excitement, frustration and pathos of his Berlin friends, and discovers the emotions running through a nation, embarked on an unexpected adventure.

Smyser's book focuses on the same adventure, illuminated this time entirely through the economic eye-glass. This is one of the first manuals on the economy of unified Germany, and it presents all the facts and figures - most of them up-to-date - that are necessary to examine the outlook for business and finance.

Smyser, a Washington-based analyst, has no literary pretensions; there is something curiously mechanistic about the sentences. "Although Karl Marx was a German, many modern west Germans have departed radically from Marxist thinking." Smyser's view of Germany is occasionally rather too obviously that of the well-informed but distant outsider.

The book, however, rates a place on the shelf of any businessman trying to come to grips with *Mitteldeutschland* (co-determination), German social security regulations or the Treuhänder.

Smyser also pinpoints a dilemma which appears bound to become more acute in coming years - Germany's struggle to decide on its priorities towards eastern and western Europe. The Germans, he writes, must decide how they wish to "shape" Europe. Neither he nor anyone else expects any very clear answers - one eminently good reason why books on Germany will continue to flow freely off the publishers' production lines.

David Marsh

Kings and
roundabouts

"All happy families resemble one another, but each unhappy family is unhappy in its own way." Whether or not Tolstoy's famous words are true universally, the present unhappy outlook for Britain's Royals contrasts with the prospects for royal families elsewhere.

Whereas the matrimonial troubles of Prince Andrew and Prince Charles are dragging down public esteem for the British monarchy, in other countries monarchy is making a comeback.

The best example is Spain where King Juan Carlos, since taking the re-instituted throne in 1975, has won wide admiration, particularly for his firm stand against the attempted coup 11 years ago.

But in Brazil, too, support for a monarchy is growing, with the approach of next year's plebiscite on constitutional change. Although the main argument is currently between parliamentarians and presidentialists, two sizeable groups are pressing for the return of a king from the Bragança family. The last one, Dom Pedro II, was deposed in 1889.

Alas, perhaps typically, the two factions cannot so far agree on which of his descendants to promote.

Moreover, in Belgrade, 50,000 demonstrators recently took to the streets calling for Serbia's monarchy to replace president Slobodan Milosevic. Similar calls have been heard in the republic of Georgia. And as for elsewhere...who knows, before much longer even the Romanovs may be preferred to Boris Yeltsin.

PvC peels off

Whatever Cable and Wireless may pretend, the loss of Peter van Cuylenburg is a blow. Undoubtedly, PvC's job as group director in charge of C&W's OECD businesses will

OBSERVER



"Nanny will get custody of the children"

be easier to fill than if he had still been running Mercury. However, he gave the group a certain style and vision which will be hard to replace. He is moving to a smaller job - albeit probably much better paid - at Next Computer in California, and is both philosophical and complimentary about his new boss, Steve Jobs. Founder of both Apple Computer and Next and the enfant terrible of the US computer industry, Jobs has never been the easiest of people with whom to work.

John Sculley, imported to give Apple strategic direction and management weight, solved the problem by taking control of the company himself. Is a similar coup likely at Next, an innovative computer company that has never fulfilled its promise?

Van Cuylenburg says that Jobs has matured and that his persistence in a difficult market is to be admired. But to what extent is van Cuylenburg's move a reaction to being passed over for the top job at C&W? No part of it, he says, arguing that the chance to

work with an imaginative computer software company is an unparalleled opportunity. It will be a meeting of old Texas Instruments minds. Robb Wilnot, former head of TI in the UK and once ICL's managing director recruited van Cuylenburg. Next week, the two of them plus Jobs will be lunching in California to discuss Wilnot's possible contribution to Next's strategic direction.

Peer pressure

Yet again, the recent exchange of letters in The Times has proved that when it comes to fielding heavy-weight teams of sympathetic businessmen, the Tories have not always been in terms of big business experience. Labour peer Lord Hollick's team was no match for Sir Allen Sheppard's Conservative cheerleaders.

Whereas FTSE 100 company bigwigs (including a director of the Bank of England) dominated the signatories of Sir Allen's letter, Hollick's list did not include the chief executive of a single Footsie company.

Apart from one or two successful entrepreneurs like publisher Paul Hamlyn, the few seasonal industrialists seemed to be outnumbered by media and property types. The City was under-represented - although Charles Cavanagh is a senior Kleinwort Benson fund manager and also a clergyman.

Crystal gazing

Professor Graef Crystal, the man America's chief executives love to hate, is making yet another comeback. The analyst and professor of business in Berkeley, California, who has had a field day publicising the bulging

pay packets of US corporate chairmen, was once described by Fortune magazine as America's "foremost compensation expert". But Fortune itself had the misfortune to show, in its 1990 annual executive pay list, compiled by Crystal, that the greediest US executive was Steve Ross, chairman of Fortune's parent, the Time Warner group.

Crystal left the magazine last summer after receiving what he described as a "bawling letter" from Time Warner.

He then went to work at Financial World, but was dismissed, apparently having again incurred the wrath of several top CEOs. The magazine's editor offered the half-hearted explanation that "it's obviously a very high-profile kind of topic and it has attracted a lot of attention, and some of the attention has not always been helpful for the magazine".

Now Crystal has signed on as a columnist for The New York Observer, an irreverent weekly newspaper whose editorial mission appears to be the debunking of myths and heroes of the 1980s. Graydon Carter, its editor, pledges that Crystal will have "complete freedom". Crystal says: "A lot of eyes need to be poked out and the Observer should allow me to do that."

From one Observer to another, good luck.

Fair exchange

The Leeds Chamber of Commerce and Industry reports in its latest trade bulletin that Israel is "seeking a UK agent and looking to place an Israeli agent..."

Future shock

Sign on shop door near Blackheath Hill, Greenwich: Due to unforeseen circumstances, we will be closed from 12.30 to 2.30 on March 28.

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ECONOMIC VIEWPOINT

'Peace, retrenchment and reform'?

By Samuel Brittan



It is with extreme reluctance that I write about the UK election campaign. For there is no party which could be identified with the Gladstonian Liberal slogan of "Peace, Retrenchment and Reform" - of which Cobden was a more consistent exponent than Gladstone himself.

Modern Conservatives would be embarrassed to be associated with the first word of the slogan and they are the last group to be associated with more than superficial institutional reform. Even on retrenchment, the very most one can say is that they are less bad than the others. There is not much retrenchment about adding to borrowing in the face of a £23bn (not £28bn) budget deficit, before even privatisation or council sales.

The problem with today's Liberal Democrats is that they are not Gladstonian Liberals but are very clearly the heirs of the so-called New Liberals of the early 20th century, who saw it as their role to enlarge the functions of the state. Paddy Ashdown has been said

Labour is still full of zeal to bribe corporations but penalise people who make them function

died with too much interventionist baggage.

The case for supporting the Liberal Democrats lies not in their economic proposals, but in their constitutional ideas. Unlike many commentators who support proportional representation, I want to ensure *inter alia*, that nothing like Labour's tax and minimum wage proposals are ever enacted. And my main reservation is that some Scottish Liberal Democrat MPs are muttering about being prepared to support a minority Labour government in return for something less than full PR. That would be to repeat unforgivably the howler made by the Liberals in the 1960s and 1970s when they sustained minority Labour governments with nothing worthwhile in return.

As for Labour's shadow Budget, words almost fail me. Lord Hailsham once wrote scathingly about the absurd importance attached to the party manifesto "as a pronouncement from Sinai, with every jot and tittle, of that unreal and unreasonable document, revered as holy writ".

But worse than the manifesto is a so-called Budget drafted in opposition, which is certain to be quite out of date by the time any chancellor has

to introduce a real Budget. Yet John Smith would feel honour bound to try to stick to it.

The Treasury would not have any real secrets to impart to him other than the bad forecasts with which it has broken so many governments. But it is still possible that someone there, away from the heat of the campaign, has something worthwhile to tell a new chancellor, which has not yet penetrated to Mr Smith through the network of donnish supporters with Whitehall friends. But this ridiculous document would prevent him from paying any attention.

The whole document is so tawdry, if you want to make it a genuine Treasury Red Book, for goodness' sake carry the illusion through, and do not insert "Abolition of the bribe to opt out of Serp".

As for the content of the proposals, a learned analysis is superfluous. The idea behind it can be very straightforwardly illustrated if the reader will play a little game. Take 10 piles of coins, or other counters, of different height. Then take some coins off the two largest piles, and redistribute these taken away on all the other eight piles. Ignore any effect of shifting the counters around on the aggregate of all the piles. Then he will certainly find that eight out of the 10 piles have gained - in this case usually trifling amounts. If that is what you want, and they believe that all income belongs to the state to redistribute in this way, then they will deserve all they get.

But even accepting these assumptions Labour has made a botch - maybe because the original calculations were done so long ago. The new top band of tax will be 50 per cent with employee national insurance contributions, and 70-80 per cent if properly calculated, to take in employers' contributions and indirect tax. The so-called right wing of the Labour party were so full of self-congratulation at the supposed moderation of this top rate that they did not look too closely at where it would bite. This will happen at what some

Labour adviser presumably once thought was the extraordinarily high income of £40,000 per annum - which is, in fact, only 2 1/2 times average male annual earnings last year. It is indeed a good deal fiercer on middle-upper incomes than the scale that Mr Denis Healey, who boasted of making the pips squeak, left behind in 1978-79, although less steep at the very top.

For what is all that to be used? For an untargeted, across-the-board increase for all pensioners and for all beneficiaries of child benefit, irrespective of means. And in addition for so-called public investment, much of which will flow to the public service unions, and for handouts to manufacturing companies for investment. Labour cannot rid itself of its zeal to bribe corporations but penalise the people who make them function. The real gainers will be the tax advisers.

What made me turn off the

television set, despite promising the editor to view it to the end, in a television debate with Norman Lamont and Alan Beth, was when John Smith erupted and said: "Anyone would think there is something wicked or immoral in a minimum wage." But there is something immoral in some government authority imposing its clumsy know-best ukase between a willing seller of labour and a willing buyer. There are all kinds of situations, undreamed of in Social Charter philosophy, when such a minimum wage is in the best interests of the most disadvantaged people for whom the left-wing parties are supposed to stand.

And please do not tell me about boys going up chimneys in the industrial revolution. We are talking about agreements between consenting adults, as the real Gladstonian Liberal pointed out at the time of the Factory Acts legislation. I nearly switched off the set earlier when the shadow

chancellor was using arguments such as "10 out of 12 European countries do X". Has he not heard the talmudic saying about not following a majority to commit a folly?

Nevertheless, I am not entirely sorry for the mess into which Conservative ministers have got themselves. When asked what he was doing about the recession, Norman Lamont gave a purely unreconstructed Keynesian answer about the amount of his spending increases and tax cuts - despite the fact that his own Budget speech repudiated the idea of giving the economy a kick-start, and it was this blatant contradiction that irked me far more than the policy.

The chancellor would have been much better off to have accepted some Treasury advice that no net tax reliefs were advisable this year instead of compromising on a moderate bribe. The lower-rate tax threshold is the epitome of the second rate, superficially attractive, but deeply flawed. Surely somebody warned Mr Lamont that raising tax thresholds was a much more effective way of helping the least well-off taxpayers, and that Labour could easily trump him by offering to do just that? But what irritated me most was the lack of all historical sense. The chancellor did not acknowledge that Denis Healey had previously inserted a lower band in the 1978 Budget at a very late stage, at the behest of the TUC, which Sir Geoffrey Howe had abolished in 1980. Nor did Neil Kinnock remind him of these awkward facts, despite the measure having leaked into one of the popular dailies.

The main reason of which I can think for the utter lack of style or distinction with which the election is being fought is the predominance of public relations and advertising executives, who are supposed to be the experts on just such things. But are too tunnel-visioned to see beyond their "research".

Why have I not stuck to my last and written about policies to cure recession? Because none of the parties has the least contribution to offer. A sizeable reduction in interest rates will have to wait until the Bundesbank decides that inflationary pressures in Germany have subsided sufficiently for it to take the lead. Meanwhile the possibility of higher interest rates under Labour to offset foreign exchange market distrust, the blow to confidence among savers in the south-east and the human deterrent to inward investment risk delaying recovery. Is the risk worth it?

Building a cheaper roof over one's head

Simon London and David Owen on proposals for new ways to finance low-cost rented housing

It is widely accepted that the UK is in urgent need of more "affordable" housing for rent - an additional 100,000 such homes must be built each year, according to some estimates. Housing associations could play a leading role in meeting the demand for low-cost rented housing, but they are finding it hard to attract enough private sector capital. New approaches may be required if housing need is to be met.

Housing associations already receive substantial government grants to build houses for rent. This year they will get £1.7bn, but they will need another £500m of private sector capital to meet their housing targets. In addition, they will require as much as another £20m a year to finance the acquisition of council homes - transfer to housing association ownership is at the centre of the government's drive to improve the lot of council tenants.

So far, associations have managed to raise sufficient funds from the private sector. The Housing Corporation, the quango which regulates registered housing associations, says £2.6bn has been raised over the past four years, from 82 lenders. However, associations are finding it harder to raise the finance they need.

One reason is fragmentation: only a handful of the associations are large enough to borrow directly in the capital markets. Most rely on finance provided by local bank or building society branches, usually at higher rates.

But the number of lenders prepared to lend to housing associations has declined. The National Federation of Housing Associations (NFHA) says fewer than a dozen banks and building societies are willing to lend regularly to associations - and each limits the amount it will lend.

In recent transfers of housing from local authorities, there have been only four active lenders: National Westminster Bank, Halifax Building Society, Bank of Scotland and Nationwide Building Society. Other lenders which backed earlier transfers such as Banque Paribas, the French

bank, have pulled back from the market.

One organisation which could help is The Housing Finance Corporation (THFC), a limited company set up by the Housing Corporation and the NFHA to raise money for housing associations from bond market investors, such as insurance companies and pension funds. So far it has found £250m, using single bond issues to raise funds for several housing associations at cheaper rates than they could get on their own.

But THFC has no capital base to absorb bond holders' losses if an association goes under. Without this cushion, investors are mostly unwilling to lend to associations.

A study by the Joseph Rowntree Foundation, a non-charitable trust which investigates social issues, proposes an intermediary with its own capital base, similar to 3i, the development capital firm, or

new intermediary like that in 3i. Yet the banks are unlikely to be willing to invest in such a project in the recession - they are already planning to realise their investment in 3i by floating it on the stock exchange later this year, to concentrate on core business.

An alternative to a capitalised intermediary would be new instruments to allow housing associations to approach the bond markets directly. The simplest would be a system of "credit enhancement" where, in return for a premium, specialised insurance companies would guarantee bond issues against default, offering investors additional security.

The Rowntree report rejects credit enhancement because the cost would be too high. But some housing associations are already considering credit-enhanced bond issues to raise the large amounts needed to finance the acquisition of local authority housing. Broomfield Housing Association, for example, is considering a credit-enhanced bond issue if it cannot get bank finance for the £150m needed to purchase council housing from Bromley council in Kent.

Finally, if new organisations or instruments are rejected, housing associations might find it easier to raise the finance they need if their borrowing requirements could be reduced. At present, when council homes are transferred to housing associations, the associations pay an average of £3,000 for each property under a Treasury pricing formula.

If the properties were transferred at a price which reflected the outstanding debt on them, the unit cost would be reduced to less than £5,500, according to the Institute of Housing. This would reduce the amount housing associations have to borrow, permitting less complex loans of shorter maturity and almost certainly increasing the number of potential lenders.

Attractive as it may seem, however, such a change would need to be handled with political sensitivity if it were not to appear that the government was selling off council houses on the cheap.

LETTERS

Amstrad chief charges Labour with not doing its homework, and offering no route out of recession

From Mr Alan Sugar.

Sir, I have noted with disgust the comments of a certain Mr Gordon Brown who has accused me of doing well out of the recession after reading the letter published in *The Times* from 40 top industrialists.

I do not know who Mr Gordon Brown is. Excuse my ignorance, but I don't. Whoever he is [shadow trade and industry secretary], he has not done his homework properly. The man doesn't know what he's talking about. How he has the audacity to say that Amstrad, or Alan Sugar, has flourished in recession is a complete mystery to me.

Amstrad made its first loss ever this year. It is not a secret that our share price has tumbled to about one-seventh of what it was. The value of my shares has collapsed from £500m to £100m more or less overnight. The salary I have been taking in the company is pretty meagre - about £170,000. It's nowhere near the million-pound bracket. So this talk that I have prospered in the midst of recession is total nonsense.

I personally have made a lot of money in my time, despite coming from a working class background in the East End. The money hasn't been handed down from family to family or by the old boys' act. I was able to start from scratch.

When taxation was 98p in

the pound under the last Labour government I would have been spending my time doing what I am doing now - creating wealth and producing employment. I would have been better off going to Bermuda, the Virgin Islands or Timbuktu.

But I don't want to go to Bermuda to avoid tax and lie on the beach. I don't like paying tax, but I agree that the 40 per cent I pay at the moment is reasonable and fair when you balance the fact that the country has got to run itself somehow, and I like living in England.

So that's why I'm here. That's why I'm still spearheading my company and that's why I'm still employing people, innovating and surviving in a very difficult market.

Our letter to *The Times* talked of the importance of the enterprise culture for the future prosperity of Britain. The thing that frightens me the most about a Labour government is that it suppresses enterprise.

For instance, Labour's talk about investment is a bit of a joke. The capital allowances for machinery, plant and equipment it urges are not going to encourage people to rush out tomorrow and start equipping a factory or making products.

If you've got good design and innovative products you don't

need any help, thank you very much indeed. You get on and make it. Amstrad is a classic example. We built our own factories in Sharnbrook in Essex without a penny grant on an 11-acre site. From there, in 1980, we fought off the Japanese to turn ourselves into the market leader in audio equipment. I didn't need help from anybody at that stage because we had invented good merchandise and good products.

The same goes for satellite dishes today. We rule the satellite dish market in this country and half of Europe and the dishes are made in Birmingham. I didn't need any investment or any help to do it. All I needed was the government to keep out of the way. More than 1m dishes have been sold to date in this country alone. When we placed the orders in the factory the satellite hadn't even been launched. It's that sort of entrepreneurial spirit the Conservatives believe in and Labour doesn't understand.

The reason Labour flourished many years ago was the "them and us" situation that prevailed in England. There were the rich and there were the poor. At that stage maybe I would have sympathised with the need for a Labour government.

But that's all been changed now. Look around. Yes, there are the very poor and more

should be done for them. But almost everybody's got a microwave oven, a car and a colour television - maybe more than one colour television in their homes. Let's be honest with each other. "Them and us" doesn't exist any more, as I have demonstrated.

I have been able to come from the working class, achieve what I set out to achieve and not be suppressed by anybody. Likewise, in the stock market today there are bright young men with a Cockney accent doing deals and buying and selling shares. It's not just the Heskett-Smythes mob that are doing it. Anybody can do it.

The government has made mistakes; nobody's perfect. To be sure, somebody took his eye off the ball. Now the belt has been tightened and there have been casualties. But it is not just the poor unemployed families who are being thrown out of work. So are the merchant bankers, the stockbrokers and the estate agents.

Labour offers no sort of route out of recession. It's out of date and - as Brown's remark shows - it hasn't done its homework.

Alan Sugar, chairman, Amstrad, Brentwood House, 185 King's Road, Brentwood, Essex

Role of the electricians' union at Wapping

From Mr Eric Hammond.

Sir, Michael Smith's review (March 12) of my book *Maverick*, is a little lopsided with its concentration on Wapping. As for the headline, "Hammond admits to talks with Murdoch",

Not asked

From Lord Young.

Sir, Your Observer column considers it surprising ("Enterprising initiative", March 18) that I signed neither Sir Allen Sheppard's letter in support of the party of enterprise, nor Lord Tombs's letter protesting at the ditching of Margaret Thatcher in 1990. Not so, I simply wasn't asked.

House of Lords, London SW1

I have never denied meetings with News International.

Indeed, in our evidence to the Trades Union Congress in February 1988, we said: "Negotiations during 1988 between the TUC FIC (printing industry) and News International about its Wapping plant had been on the basis of the company's expressed intention that it proposed to use that plant to print a new paper, *The London Post*, and not any of its existing titles. This is confirmed by Sogat's evidence to the general council on January 30. As these negotiations related to a new newspaper to be produced at a new plant, no union enjoyed any existing right of recognition or negotiation in respect of that plant."

But all our meetings were

concerned with a new newspaper, *The London Post*, to be produced on a new site. We had been successful with Mr Eddie Shah in 1985 and hoped to do the same with News International.

We were unsuccessful at Wapping because the print unions upped the stakes with their strike and gave News International the pretext to transfer existing titles to Wapping. We had nothing to do with that decision, nor could we change it. The responsibility rests squarely with the print unions.

Eric Hammond, general secretary, Electrical, Electronic Telecommunications & Plumbing Union, Hayes Court, West Common Road, Bromley, Kent BR2 7AU

Good and bad habits

From J P Warren.

Sir, The immortal words of the late Artemus Ward (Charles Farrar Brown) spring to mind at this pre-election time: "Let us be happy and live within our means, even if we have to borrow the money to do it with."

He also wrote: "I am not a politician and my other habits are good." J P Warren, Cherrymead, Abingdon, near Cranleigh, Surrey GU6 8ES

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INTERNATIONAL COMPANIES AND FINANCE

ABB unveils 3% advance as restructuring continues

By Andrew Baxter in Stockholm

ASEA BROWN Boveri, Europe's biggest electrical engineering group, has announced a 2 per cent improvement, to \$1.15bn, in 1991 pre-tax profits after financial items. It pledged to continue restructuring efforts this year.

The result underlines the extent to which ABB is being tested by recessionary conditions in 60 per cent of its business. It had said at the half-year stage that full-year profits should at least match those of 1990.

Operating earnings after depreciation rose 7 per cent, from \$1.79bn to \$1.91bn, while net income edged up 5 per cent, from \$690m to \$698m. Orders received rose 1 per cent to \$29.6bn, while revenues increased 8 per cent to \$38.9bn.

Mr Percy Barnevik, president, said the severity of the recession varied from "light" in mainland European countries such as France, to "fairly deep" in the Nordic countries, with the English-speaking countries in between.

Growth in countries such as Germany, and in parts of Asia, had offset lower order intake in some recession-affected markets. In the UK, the group increased earnings, helped by a good performance in infrastructural business sectors, which are normally less affected by recession.

On the outlook for 1992, Mr Barnevik said ABB expected a slow recovery in recession-affected markets. He also forecast a further decline in demand and intensified pricing pressure.

However, in most of its infrastructure-related business, accounting for the remaining 40 per cent of the group, the impact of the recession would be smaller, and demand in several developing countries was expected to remain high.

Overall, therefore, earnings after financial items this year are expected to be about the same as this year.

Net debt was cut by about \$1bn last year, and ABB would continue balancing non-recurring restructuring costs with gains from asset sales.

Earlier this month, the group announced it would try to sell its global instrumentation business, based in the UK. Mr Barnevik said a couple of other "pieces" might be sold, but he did not foresee any huge divestitures.

SSAB to kick off Swedish flotations

By John Burton in Stockholm

THE SWEDISH government yesterday announced that the steel company SSAB would be the first of 35 state companies to be sold into the private sector.

The state owns 60 per cent of the voting rights and 48 per cent of the equity in SSAB, which has been listed on the Stockholm bourse since 1986. The publicly-held shares are largely owned by domestic institutional investors.

The state sale will be conducted through the issue of convertible debentures with an option to redeem them for SSAB shares by the beginning of 1994. A price has not yet been set for the issue, but the government hopes to raise between SKr1.5bn (\$248m) and SKr2bn through the sale, which will be handled by Handelsbanken Fondkommission. A prospectus will be issued in May.

About half the debentures are expected to be reserved for Swedish and foreign institutional investors to guarantee that SSAB will have a stable ownership structure. The rest will be offered to SSAB employees and the general public.

Mr Per Westerberg, the industry minister, said SSAB was too small to be offered through a share issue to the general public. The government, however, was determined to encourage widespread ownership for bigger state companies scheduled for privatisation.

The use of convertible debentures is designed to assure investors that they will get a guaranteed yield on their investment. The government was concerned that the 77 per cent fall in earnings, to SKr218m, for SSAB last year might deter investors if there were a direct share issue now.

Arbed, the Luxembourg steel manufacturer, will buy the main assets of former east German steel producer, Maxhütte Unterwellenborn, after approval from the Treasury. The German agency supervising the sell-off of assets.

BAT to pay uncovered dividend

By Maggie Urry in London

BAT Industries, the tobacco and financial services group, yesterday announced an 8 per cent increase in its annual dividend, although the payment will not be covered by earnings per share, which rose 21 per cent.

The group reported pre-tax profits up from \$945m (\$1.6bn) to \$1.05bn for 1991 which Sir Patrick Sheehy, chairman, described as a "year of recovery".

Sir Patrick said the dividend rise showed a "continuing commitment to dividend increases substantially in excess of the rate of inflation".

He expected the 1992 dividend would be covered by earnings.

BAT's aim was to rebuild dividend cover to 2. The shares rose 6p to 660p in London.

The proposed final dividend of 11.2p, up from 10.8p, gives a total for the year of 33.8p, up from 31.1p, while earnings per share were 27.9p, up from 23p.

BAT is reverting to paying two dividends a year, rather than three, as it did until 1989. The interim will be declared in July and is expected to make up 40 per cent of the total.

BAT's tobacco business made record trading profits of \$1.08bn, a 14.2 per cent increase. Cigarette volumes worldwide increased by 3 per cent, taking BAT's world market share to 10.5 per cent.

BAT gained market share in the US, and exports to Asia and eastern Europe were strong. Souza Cruz, the Brazilian subsidiary, returned to profit in the second half after the government allowed price increases. However, the Argentine business was unprofitable because, BAT said, it was the victim of a \$38m tax fraud.

The financial services side was hit by difficult trading conditions in Eagle Star's general insurance business, offsetting good performance from Farmers, the US insurance



Sir Patrick Sheehy: 'a year of recovery'

group, and Allied Dunbar, the life and pensions subsidiary. General business incurred fell into a trading loss of \$22m from a profit of \$145m, while the life business made a profit of \$254m, up from \$244m.

Sir Patrick said that Farm-

ers, acquired in 1988 for \$5.2bn, had proved to be "an outstandingly successful investment" contributing \$200m to 1991 profits after financing costs. He said he thought Eagle Star had "hit bottom" with the underwriting result better in the second half of 1991 than the first, and some signs that claims on the domestic mortgage side were reducing.

The group's net interest charge fell from \$210m to \$133m, helped by lower interest rates and sales of investments. The group's net debt stood at \$2 per cent of shareholders' funds at the year end.

BAT had to write off \$85m of unrelieved advance corporation tax (ACT) in 1991, which kept the tax charge high at 54 per cent, up from 55% per cent. Sir Patrick said BAT would try to counter the ACT problem by restoring profitability at Eagle Star and by making more cigarettes in the UK for export.

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BBL insurance talks left open

By Andrew Hill in Brussels

DIRECTORS of Banque Bruxelles Lambert have acted to dampen speculation about its strategy in the insurance business. It announced yesterday that it was open to insurance collaboration with any of BBL's large shareholders, as long as they met certain criteria.

The bank yesterday held a board meeting - billed as "D-Day for BBL" in one Belgian newspaper - to decide between two proposals on collaboration in the lucrative area of "bancaassurance" from rival insurer-shareholders.

However, it neither accepted nor rejected the two sets of proposals, one from Internationale Nederlanden Groep (ING), and one from Royale Belge and Winterthur of Switzerland.

Instead, BBL said it would create an insurance subsidiary, specialising in car and fire cover, to add to its existing life insurance subsidiary. Prospective partners would be able to take a stake in the new company, but BBL would retain control.

Since last month, when the bancaassurance talks began to attract attention, BBL has been

at pains to stress that commercial links should be considered separately from any movement in its fragmented share register.

"The bank is negotiating with the insurance companies to act together in the insurance field," a spokesman said.

Royale Belge, together with its controlling shareholder - the French insurer, UAP - owns 11.72 per cent of BBL, and Winterthur has 4.78 per cent. ING, which controls 8.6 per cent, has never commented on rumours that it wanted to bid for the whole of BBL.

Italcable slips after tariff cuts

ITALCABLE, Italy's state-owned international telecommunications carrier, reported a 19.7 per cent fall in net profits to L132.7bn (\$106.34m) last year, from L165.3bn in 1990, writes Haig Simonian in Milan. However, it is maintaining its dividend at L230 an ordinary share and L250 a savings share.

The downturn was expected after an average 20 per cent cut in international phone tariffs introduced in January 1991.

Single bidder for Petrogal

A CONSORTIUM comprising Total of France and leading Portuguese companies, including the Espirito Santo group, has emerged as the only bidder for Petrogal, the state-owned oil group valued at \$131bn (\$916m), writes Patrick Blum in Lisbon.

The timetable for offers closed on March 17, and a jury will now have to consider the consortium's bid for an initial 25 per cent of the company. The starting price for bids was \$1,700 per share. If the consor-

tium's offer is acceptable, the government is expected to approve the sale soon.

Another consortium, led by DuPont of the US, dropped out of the bidding.

Under conditions set out for Petrogal's privatisation programme, the consortium will have to buy another 26 per cent stake in the company within nine months, at the same price per share paid for the initial 25 per cent. This will bring the consortium's holding to 51 per cent.

Bayer expects 4% sales increase

By David Waller in Frankfurt

BAYER, the German chemical group, said operating profits in the first two months of this year were slightly below expectations, and it expected them to end close to last year's DM3.18bn (\$1.93bn). Sales this year are likely to climb 4 per cent to DM4.4bn.

The remarks by Mr Hermann Strenger, chairman, came only days after Bayer announced the best 1991 result of the big three German chemical companies.

With a drop in pre-tax profits of 5 per cent, to DM3.21bn,

compared with a fall of over 20 per cent at BASF and Hoechst, Bayer alone has decided to hold its 1991 dividend at the same level as last year's.

Bayer disclosed yesterday that operating profits for the group dropped by 10.5 per cent to DM3.18bn last year, reflecting poor conditions in the chemicals industry. Last year, profits in polymers, organic products and industrial chemical products dropped by 31, 66 and 43 per cent respectively.

Mr Strenger blamed the

decline in profits on increased costs which could not be passed on to customers because of tougher competition in world markets.

Total profits were held up at higher levels than those of its German competitors because of Bayer's greater exposure to the non-cyclical pharmaceutical sector. Health products accounted for DM3.8bn of group sales of DM4.4bn last year - 21 per cent of the total - but generated profits of DM1.74bn, an increase of 11 per cent on the previous year.

UAP said yesterday it did not envisage any equity participation with Kemper. The two groups already have a four-year-old European joint venture to service high-risk clients such as nuclear power centres and chemical companies.

The agreement comes at a time when French insurers are taking advantage of the problems of their US and UK competitors to expand internationally. Association Générale des Assurances (AGA), which is like UAP, a state-controlled group, recently ran into controversy over its plans to expand in Germany.

UAP expands into US with Kemper deal

By Alice Rawsthorn in Paris

UNION des Assurances de Paris (UAP), the largest French insurance group, has established a foothold in the US by extending its relationship with Kemper, the Illinois-based insurance concern.

The two have signed an agreement of co-operation which will involve Kemper servicing UAP's clients in the US. The deal represents the French group's first foray across the Atlantic.

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INTERNATIONAL COMPANIES AND FINANCE

A slice of faith in the Chinese bureaucracy

Simon Holberton on the first state enterprise in which Beijing has allowed foreigners to own shares

FOR the past decade, China has had its door open to foreign investors. Last month, that door opened a little wider when, for the first time since the communist took power in 1949, the authorities allowed foreigners to own and trade shares in a Chinese company.

That company, Shanghai Vacuum Electronic Device Company, makes television tubes for the domestic television industry.

Shanghai Vacuum is not a company in the way a westerner might use or understand the term. Its origins date back to 1917, but the company today is the result of a six-way merger in 1987, which brought together much of Shanghai's TV tube-making capacity.

The closest analogy might be with British Coal in the heyday of nationalisation, but that, too, fails to capture the company's relationship with the state.

Although foreign investors have bought a slice of a "company" called Shanghai Vacuum, what they have really acquired is a slice of faith in China's bureaucracy.

The management of TV production in Shanghai is split between those who operate the company's factories and the Shanghai Instrumentation and Electronic Industry Bureau. It

is responsible for determining production capacities, output and marketing strategies of the companies it supervises, one of which is Shanghai Vacuum.

Administratively, the bureau is a division of the Shanghai Economic Commission, which in turn reports to the city's municipal government. The bureau also has a direct reporting relationship with the Ministry of Electronics Industry in Beijing on technical matters and receives market information from the ministry.

China is the country which invented and refined bureaucratic government. It should come as no surprise, therefore,

Shanghai Vacuum is not a company in the way most westerners understand the term

that a by-product of this today is intense competition between bureaucrats. Selling TVs in China is a curious mixture of co-operation and competition between regional governments, which Beijing presides over with either apparent detachment or just plain impotence.

Mr Rolf Gerber, managing

director of SBCI Finance Asia, who wrote the company's prospectus, found out about the bureau's existence through a conversation with executives of Shanghai Vacuum. At a five-hour dinner at the end of last year he met the bureau's director who told him how the system worked.

The bureau consists of 10 industry sectors and supervises 178 state enterprises and eight research institutes. It competes with other regional bureaux in China and the companies under their supervision in terms of products, turnover, market share and quality.

The Shanghai bureau ranks first in China in terms of sales and production. Last year, its companies turned over Yn8.7bn (\$1.27bn) and produced output with a value of Yn8.5bn.

The bureau keeps in close touch with the products its companies make. It has an in-house research capacity, meets regularly with wholesalers and retailers, and has access to its companies' market research departments.

The bureau not only knows a great deal about the TV market but it also knows how to sell TVs, which it does throughout China. Its sales force is supported by a computer-linked system with wholesalers and significant retailers. It also operates a

nation-wide service network.

While the bureau practices free trade in China it is decidedly mercantilist in Shanghai. It claims 100 per cent of the Shanghai market for itself by virtue of a municipal regulation which requires all TVs in Shanghai to contain Shanghai Vacuum's tubes and be built by Shanghai-based assemblers.

This makes Shanghai Vacuum the closest thing to a one-way bet on just about any stock exchange in the world. It has guaranteed customers for its output at prices over which it has a fair degree of control.

But what does Shanghai Vacuum look like to a western accountant? Arthur Andersen, the US firm of accountants, had to wade through acres of Chinese financial statements and attempt to reconcile their data with accepted western accounting standards.

For example, mainland Chinese companies do not consolidate their accounts; they do not make provisions for bad or doubtful debts; they do not account for exchange rate fluctuations; and use depreciation schedules ranging from 30 to 50 years for plant and machinery. The accountants were unable to provide a source and application of funds statement because, as the Shanghai government accountant said: "Normal banking practices in

China are that many of the company's borrowings do not have fixed maturities or repayment schedules."

Mainland companies' business practices would send most western companies into receivership. Shanghai Vacuum's standard terms of sale provide for payment within three to nine months after delivery. Even then, retailers are loathe to pay their bills.

At the end of September, the company's accounts receivable stood at Yn137m. As the prospectus observes: "This has been caused by state-owned retailers, which are under the direct control of the Bureau of

the Pudong district of the city which has been designated for special treatment."

The upshot of these developments is that the company's tax rate will fall from 55 per cent to 15 per cent.

The change in status will also allow the company to pay its employees more and change the basis upon which it employs them from the current cradle-to-grave terms and conditions to fixed-term contracts. Theoretically, the move should allow it to shed surplus labour and improve productivity.

There is a need for rationalisation. With a workforce of more than 15,000, Shanghai Vacuum made an estimated loss of Yn89m last year. But the jewel in its crown, a joint venture company known as Novel, which produces colour television tubes, made an estimated profit of Yn188.8m with a workforce of 1,900.

The new joint venture status just might give the managers of Shanghai Vacuum's factories the justification they need to make the hard, and so far avoided, decision about shedding labour.

It can now fairly claim that its ability to raise capital from its shareholders will depend not on its novelty of being the first Chinese company in the international equity market, but on its results.

It has guaranteed customers for its output, at prices that are largely under its control

Commerce, are delaying payment to the TV set manufacturers, using the cash-flow to expand their own businesses."

By taking foreign capital Shanghai Vacuum is able to redefine itself as a "joint venture" company for Chinese tax purposes. It is also relocating its corporate headquarters to

Henderson Land slips 12.4% to HK\$1.38bn

By Simon Davies in Hong Kong

HENDERSON Land Development, one of Hong Kong's leading residential property developers, announced a 12.4 per cent drop in net profit for the six months to December to HK\$1.38bn (\$178.3m), compared with HK\$1.58bn in the year-earlier period.

The decline came from a reduction in the number of developments completed in the first half of the year. However, the company forecast a "satisfactory" increase in profit for the full year.

Henderson completed five developments in the first half of its financial year, but it has already commenced pre-sales of a further 15 projects.

Turnover declined by 23 per

cent to HK\$2.5bn at the interim stage, due to the reduction in property sales, but there was an increase in investment income, particularly from its portfolio of shopping centres.

Its two associate utility companies - Hong Kong and China Gas and Hong Kong Ferry - also reported strong profit growth.

The company said that "with local interest rates presently staying at a level below inflation, the public is generally keen to acquire residential properties as a hedge against inflation and the property market is likely to remain active."

The company recommended an interim dividend of 19 cents, compared with 16 cents in 1990.

JVC to cut product range

VICTOR Company of Japan (JVC) plans to reduce its range of products, increase outside component sales and lengthen product cycles to fight back against the effects of the consumer electronics slump, Reuters reports from Tokyo.

Almost half of JVC's sales are in videotape recorders, a flat market. In February, JVC forecast a parent pre-tax loss of Y2.8bn (\$21m) and a group pre-tax deficit of Y4.4bn for the year to the end of March. It

would be its first loss in 40 years.

To trim design and development costs, it plans to reduce the number of its products by 20 to 30 per cent by eliminating products that are considered too similar to others.

JVC will also sell more components - such as the magnetic heads used in videotape recorders - to other manufacturers, and produce more components internally for its own use.

Key Honda executive resigns

By Steven Butler in Tokyo

MR SOICHIRO Irimajiri yesterday resigned his position as executive vice-president of Honda Motor, the Japanese car and motorcycle maker, for health reasons.

Mr Irimajiri, 52, was one of three leading executives at Honda responsible for a sweeping management reform at the company which was initiated last year. He was also a key architect of the expansion of Honda's US manufacturing facilities, serving as president of Honda of America Manufacturing from 1984 until 1989.

Mr Irimajiri also resigned his position as president of Honda R&D, although he remains on the board of directors of both Honda Motor and Honda R&D. It was understood that Mr Irimajiri would remain on the board of the Rover Group, in which Honda holds a 20 per cent stake.

Mr Irimajiri was understood yesterday to be in a state of exhaustion and was receiving treatment in hospital. His executive responsibilities are to be assumed by other Honda directors.

Korean debt to equity ratios rise

THE average debt to equity ratios of listed South Korean companies rose by 23.1 percentage points to 241.7 per cent in 1991 due to tight liquidity, according to a survey conducted by the Daewoo Research Institute (DRI), Reuters reports from Seoul.

The survey covered about 400 of the 558 listed companies with 1991 years ending on December 31.

DRI said Hanyang topped the list, recording a debt to equity ratio of 3,284.5 per cent. Aggregate turnover of the 400 companies in 1991 increased to Won131,260bn (\$171.35bn) from Won108,950bn a year earlier.

Daewoo Corporation, the trading arm of the Daewoo group, had recorded the largest sales of Won6,400bn in 1991 from Won5,250bn in 1990, the survey showed.

Samsung, which led the turnover charts in 1990, was not included in the survey as it has yet to hold a shareholders' meeting. Samsung recorded a turnover of Won7,950bn in 1990 from Won7,810bn a year earlier.

Brierley and GPG reduce joint offer for ACIL

BRIERLEY Investments (BIL), the New Zealand investment and trading group, and its UK-based associate, GPG, plan to reduce their joint offer for Australian Consolidated Investments (ACIL) to 20.5 Australian cents a share from 23 cents a share, AP-DJ reports from Sydney.

Sir Ron Brierley said in a letter to ACIL that the proposed takeover offer was being reduced because the target company last week announced an agreement to pay A\$14m (US\$10.6m) to settle a claim from the liquidators of Spedley Securities.

Sir Ron wrote on behalf of Rossington Holdings, a com-

pany jointly-owned by BIL, his former investment company, and his new investment vehicle, GPG. BIL owns 40 per cent of GPG.

Sir Ron said ACIL's payout was inconsistent with previous indications that the Spedley claims were "tenuous at best." He said the "gratuitous capitulation" by ACIL seemed like "gross incompetence" by the directors.

Sir Ron said the 25 cents-a-share reduction in the offer price brought the value of the bid down A\$14m. He said Rossington had applied to the Australian Stock Exchange for the necessary approvals to lower the proposed bid.

Arab Banking moves into the black with \$90m profit

ARAB Banking Corporation (ABC), the biggest international Arab bank, posted a \$90m pre-tax profit in 1991 compared with a pre-tax loss of \$47m in the previous year, Reuters reports from Manama.

The turnaround was reflected in the healthy trend towards the growth and diversification of non-interest income, which jumped by 56.5 per cent from \$188m in 1990 to \$293m at the end of 1991, the bank said.

"This more than compensated for the slight decline in interest income resulting from the prevailing low-interest rate environment," it added.

Operating income rose to \$622m from \$555m the previous year. Total assets dropped slightly to \$20.45bn against \$20.55bn.

Operating profit before provisions, tax and minority interests rose to \$213m against \$183m.

The bank allocated \$102m for possible loan losses in 1991 compared with \$179m the previous year.

Deposits from interbank markets increased to \$8.3bn from \$5.7bn in 1990.

Customers' deposits fell to \$10.5bn compared with \$10.9bn a year earlier.

ABC, which is owned mainly by Kuwait, Abu Dhabi and Libya, became the first Gulf-based Arab bank to offer shares to investors on the open market with a \$350m issue in June 1990.

Saudi Arabian private investors now hold 6.5 per cent of its shares and international investors own 15 per cent.

Asahi Chemical lowers forecasts

ASAHI Chemical Industry, a leading Japanese manufacturer of synthetic fibres, has lowered its group pre-tax profit forecast to Y68bn (\$511m) for the year to March. Last May, it forecast pre-tax profits of Y100bn, against an actual pre-tax profit of Y94.4bn in 1990-91, Reuters reports from Tokyo.

It sees group net profit of

Y31bn on expected sales of Y1,310bn in 1991-92, down from its May forecast of Y45bn on sales of Y1,420bn. It posted group net profit of Y42.8bn in 1990-91 on sales of Y1,300bn.

It said it expected parent pre-tax and net profits to fall around 20 per cent each from its earlier forecasts of Y86bn and Y35bn respectively.

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of Switzerland
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CEVA Kraluv Dvur, a.s.
has sold a strategic holding in
Vapenka Certovy Schody, a.s.
to
Lhoist S.A.
of Belgium
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The National Property Fund of The Czech Republic
has sold a strategic holding in
Cizkovicke cementarna a vapenice a.s.
to
Lafarge Coppée S.A.
of France
Bankers Trust International PLC

The National Property Fund of The Czech Republic
has sold a strategic holding in
Pragocement a.s.
to
Heidelberger Zement A.G.
of Germany
Bankers Trust International PLC

CEVA Kraluv Dvur, a.s.
has sold a strategic holding in
Kralovska Cementarna a.s.
to
Heidelberger Zement A.G.
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Termination of conversion rights

ASDA GROUP PLC (formerly Asda-MFI Group PLC) (the "Issuer") hereby gives notice, pursuant to Conditions 5(c) and 16 of the above-mentioned Bonds (the "Bonds"), that it is to exercise its option to redeem the Bonds on 24th April 1992 pursuant to Condition 5(c)(i) set out in the supplemental Trust Deed dated 14th December 1989. The option is to be exercised in respect of all the Bonds at the Optional Redemption Value then applicable, which will be 126.50 per cent. of the principal amount of the Bonds (comprising 100 per cent. as to repayment of the principal amount and a payment by way of Supplemental Interest equal to 26.50 per cent. of the principal amount, together with accrued interest to that date. Payment of principal and supplemental interest on the Bonds in respect to the Issuer's option to redeem, will be made against surrender of the Bonds at the specified office of any of the Paying Agents listed below, in accordance with Condition 7. Bonds should be presented for redemption together with all unexercised Coupons appertaining thereto, failing which the amount of any such missing unexercised Coupon will be deducted from the sum due for payment.

In accordance with Condition 5(b)(i) the Bondholders have the option to require the Issuer to redeem the Bonds on 24th April, 1992 at the redemption value of 126.50 per cent. of the principal amount of the Bonds, together with accrued interest to that date. In view of the fact that the Issuer has decided to exercise its option to redeem the Bonds on 24th April, 1992, and that such redemption is at the same redemption value as Bondholders would obtain by exercising their option to require redemption on that date, Bondholders need not deposit an Option Notice (as defined in Condition 5(b)) in order to receive 126.50 per cent. of the principal amount of their Bonds on redemption. In the circumstances the Law Debenture Trust Corporation plc (the "Trustee") has, pursuant to Condition 14, waived the requirement that the Issuer, pursuant to Condition 5(b), give not less than 7 days' prior notice of the commencement of the period for deposit of Bonds in respect of the Bondholders' option to redeem.

The Issuer hereby further gives notice that the right of conversion of any Bond will terminate at the end of the eighth day prior to the 24th April, 1992, in accordance with Condition 6(a).

The Bonds and the Coupons will become void unless presented for payment within the period of ten and five years, respectively, from the Relevant Date (as defined in Condition 8) in respect thereof. Interest will cease to accrue on the Bonds as from 24th April, 1992.

Schedule of Paying Agents

Principal Paying Agent

Kredietbank S.A. Luxembourg
43 boulevard Royal
L-2955 Luxembourg

Paying Agents

Kredietbank N.V. Royal Bank of Canada Europe Ltd.
Arenbergstraat 7 71 Oude Victoria Street
B-1000 Brussels London EC4V 4DE
Crédit Suisse 8 Paradenplatz
CH-8021 Zurich

March 19, 1992

ASDA GROUP PLC
by: Kredietbank S.A. Luxembourg
Principal Paying and Conversion Agent

Issue of U.S. \$300,000,000

R&I

**The Rural and Industries
Bank of Western Australia**

Undated Floating Rate Notes
exchangeable into

Dated Floating Rate Notes
of which U.S. \$200,000,000
is being issued as the Initial Tranche

Interest Rate	4.7875% per annum
Interest Period	19th March 1992 21st September 1992
Interest Amount due 21st September 1992 per U.S. \$ 10,000 Note	U.S. \$ 247.35
U.S. \$250,000 Note	U.S. \$6,183.85

Credit Suisse First Boston Limited
Agent

U.S. \$125,000,000



Oil and Natural Gas Commission

Guaranteed Floating Rate Notes Due 1996
Unconditionally and irrevocably guaranteed
as to payment of principal and interest by

India
Acting as its President

Interest Rate	5% per annum
Interest Period	19th March 1992 21st September 1992
Interest Amount per U.S. \$10,000 Note due 21st September 1992	U.S. \$258.33

Credit Suisse First Boston Limited
Agent

Helaba Finance B.V.
Amsterdam

**US\$100,000,000
Guaranteed Floating Rate Notes
Due 1996**

(Pursuant to the Terms and Conditions, Hessische Landesbank-Girozentrale - has been substituted by Helaba Finance B.V. as principal debtor of the Notes as per 1st December, 1988)

(Coupon No. 12)

In accordance with Note conditions, notice is hereby given that for the interest period 19th March, 1992 to 21st September, 1992 (186 days), an interest rate of 4 1/2 per cent. per annum, will apply.

Amount per coupon (No. 12) = US\$1,194.79
Payable on the 21st September, 1992.



THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
London Branch
AGENT BANK

INTERNATIONAL COMPANIES AND FINANCE

Mobil to cut its capital spending plans by \$1bn

By Alan Friedman in New York

MOBIL, the US oil and gas group, yesterday announced plans to cut its 1992 capital expenditure appropriations by \$1bn because of the company's concern about the business environment in the energy sector.

Mr Allen Murray, chairman of Mobil, said the 1992 capital appropriations budget would be \$4.8bn, instead of the \$5.8bn anticipated. The cut includes \$600m that would be deferred "unless business conditions improve".

The Mobil chief noted that "these are difficult times for the oil industry, with the slow pace of economic growth in much of the world having a substantial impact on all segments of our business".

Mr Murray said the company's US business, especially natural gas prices, had been weak. Coupled with the recent volatility in crude oil prices, this made it prudent to defer some investments for the time being.

Mobil stressed yesterday

that by deferring investments it was not sacrificing long-term opportunities.

He noted, however, that the lag between a reduction in capital appropriations and actual spending generally takes several years. This meant that 1992 capital spending would be about the same as last year's, while the impact of deferred investments would be seen mainly beyond 1992.

Mr Murray said the company would record a \$75m charge for restructuring costs in the first quarter of 1992.

He added that discussions were under way for the sale of petrochemical properties, including the polystyrene business in the US and the fuels business in Norway.

He said the company would

also continue to sell off producing properties in the US that were "marginally attractive and have little upside potential".

Last year, Mobil sold about \$600m of assets and acquired Exxon's downstream assets in Australia. Between 1986 and 1990, Mobil sold nearly \$7bn of assets, Mr Murray said.

On Wall Street, Mobil's share price was marked 1 1/2 lower yesterday, to \$60.

Esso S.A.F., the French subsidiary of Exxon of the US, said yesterday that its consolidated net profit after payments to minority interests rose by 61 per cent to FF685m (\$152.32m) in 1991, AP-DJ reports.

The gains reflected an improvement in refining margins and high production levels at the French company's refineries.

The company also said it

Thomson declines to \$292m

By Robert Gibbens in Montreal

THE LONG North American recession and lower newspaper advertising revenues dampened Thomson Corporation's performance in 1991.

The information-publishing group, which includes UK regional newspapers and specialised publishing in North America, recorded lower margins in 1991. Thomson Travel Group unit had an "outstanding year".

Overall, Thomson reported 1991 earnings of US\$292m, or 53 cents a share, compared with \$385m, or 70 cents, a year earlier. But before \$67m amortisation

of publishing rights applied in 1991 for the first time, per-share profit was 65 cents, against 70 cents.

Operating profit was \$82m, down 4.7 per cent from 1990. Profits from aircraft sales were \$5m, against \$45m last time.

Thomson Newspapers sales dipped 1.4 per cent to \$1.14bn. Newspaper circulation revenues, however, did not offset advertising losses, and operating profits dipped 19 per cent to \$228m. The Ontario newspaper sales were worst hit.

Information-publishing sales rose 3.2 per cent to \$2.4bn,

while operating profit dipped 2.4 per cent to \$353m. UK professional and business publications and UK newspapers were slightly lower, but the US-based book and reference group improved profit.

The financial services companies gained in sales, but margins remained under pressure.

Fourth-quarter sales for Thomson overall were little changed at \$1.35bn. Earnings, after amortisation of publishing rights, were \$85m, or 15 cents a share, also little changed from 1990.

UK offshoot shows 38% advance

THOMSON Travel Group, Thomson's UK-based travel subsidiary, saw full-year pre-tax profits rise 38 per cent to £70.2m (\$123.6m), writes Michael Skapinker, Leisure Industries Correspondent.

Although the UK travel industry was hit by the Gulf war, Thomson, Britain's biggest holiday company, benefited from the collapse last year of the International Leisure Group (ILG), its largest competitor.

Thomson - whose interests include package tours, Britannia Airways and Lunn Poly, the UK's biggest chain of travel agents - announced sales revenue up 10 per cent to £1.16bn.

Operating profit and interest rose 61 per cent to £28.9m, while profits from aircraft disposals fell to £2.9m from £25m in 1990.

Profits from four operations more than trebled to £37.5m. Although the figure of 3m hol-

days sold was the same as in 1990, a reduction in price discounting led to an increase in gross margins.

Profits from Britannia Airways rose 8 per cent to £23.9m before aircraft disposals.

Lunn Poly's profits fell 16.7 per cent to £2.9m after a £2.3m provision to cover losses following the collapse of ILG. Lunn Poly expects to cover this amount this year from the bond put up as security by ILG.

US groups in German move

By Leslie Collett in Berlin

TWO US electronics companies are to revive the heart of east Germany's electronics industry which Siemens, the German electronics group, regarded as being beyond saving.

Both companies are getting their stakes without payment, but will later transfer know-how and technology.

LSI Logic of California agreed with the Treuhander privatisation agency to take a 19.9 per cent share in Mikroelektronik of Erfurt, with the remaining stake going to the Thuringian Landesbank, which has yet to be formed. The Treuhander agreed to invest DM125m (\$76.2m) in the new company to cover expected losses and modernisation.

It will also provide the site for a factory to produce

Asics integrated circuits. VLSI Technology, another California company, will take a 19.9 per cent share in Mikroelektronik - Dresden. An unnamed private bank is to hold 49 per cent, and an investor, still to be found by the state of Saxony, will get the remainder.

The Treuhander said it would give the new company DM125m for R&D and production of integrated circuits. The Dresden company expects sales this year of DM22m to rise to DM91m by 1994.

The east German electronics industry, developed at enormous cost by the Communists to produce obsolete chips and computers, was considered the most difficult industry to save. Employing 22,000 people

in 1989, it is down to fewer than 4,000 employees. The Treuhander said more than 1,500 jobs were to be retained under the new plan, approved on Tuesday by the managing board.

Mr Franz Wauschkühn, a Treuhander spokesman, admitted the new electronics ventures were a very "shaky affair".

He said the Treuhander agreed to set up the joint ventures as a result of "political pressure" from the state governments where the electronics companies were located. The states had previously refused to invest money in the Treuhander's MTC electronics holding company, which had lost last year of DM227m on sales of DM78m.

NBD in \$876m banking takeover

By Alan Friedman

NBD Bancorp., the Detroit-based banking group that operates 457 branches in the midwest, agreed yesterday to acquire the Indianapolis-based INB Financial Corporation, a large Indiana bank, in a stock deal worth \$876m.

The acquisition is the latest example of how the shake-out of US banking is leading to a series of mergers and takeovers throughout the industry.

The deal also underscores the way some US banks are managing to extend their branch networks across state boundaries, even though the legislative reform that would pave the way for more of these transactions remains stymied in Congress.

The prime example of this trend is the string of recent acquisitions by the Ohio-based Banc One, a successful regional banking group.

NBD, which is also the parent company of 30 Chicago area banks with assets of \$5bn, is already the 24th ranked US bank, with total assets of \$31bn.

INB Financial is a bank with \$6.6bn of assets that operates 124 offices through six banks in key Indiana markets, including dominant market positions in the central and southern parts of the state.

NBD has another Indiana bank deal pending, this one with Summitco, a banking group with \$2.5bn of assets. NBD said yesterday its total assets following both the INB and Summitco transactions would be \$440bn.

The INB takeover calls for NBD to exchange 1.5 shares of its common stock for each INB share.

Wall Street reacted to the midwestern merger by marking the price of NBD shares \$1 lower, to \$29.75.

INB's share price leapt by \$7 to \$43.

Revenues up but Humana earns less

By Karen Zagor in New York

HUMANA, one of the largest hospital management companies, yesterday turned in a modest decline in second-quarter net income in spite of an 18 per cent improvement in revenues.

Net income fell to \$86m, or 54 cents a share, on revenues of \$1.62bn from net earnings of \$87m, or 56 cents a share, on revenues of \$1.38bn a year earlier. Earnings per share have been adjusted for a three-for-two stock split.

The company, which has been hurt by rising costs and falling hospital admissions, said its operating income for hospitals fell 5 per cent to \$145m in the latest quarter, reflecting the growing trend towards discounting hospital prices. Hospital revenues increased 10 per cent in the quarter to \$1.05bn, reflecting an increase in admissions.

For the first half, Humana's net income slid to \$162m, or \$1.02 a share, on revenues of \$3.12bn. This compared with net profits of \$162m, or \$1.04 a share, on revenues of \$2.71bn a year ago.

Microsoft fires shot in PC systems battle

By Louise Kehoe in San Francisco

MICROSOFT said yesterday it would launch a new version of its widely-used Windows personal computer program next month and expects to sell 1m copies within 90 days.

The announcement appears designed to pre-empt international Business Machines' expected introduction, later this month, of a competing operating system for personal computers.

The former partners are gearing up for a marketing battle. Microsoft will for the first time use television advertising to promote Windows. IBM is also planning a publicity blitz.

Price competition is also expected to be fierce, with Microsoft offering a Windows upgrade package to current users for \$50. At issue is control over the direction of personal computer software.

Windows provides personal computer users with a graphical interface, similar to the Apple Macintosh, replacing typed commands with a "point and click" method of selecting applications and functions.

Windows works in conjunc-

tion with Microsoft DOS, the operating system used on about 90 per cent of personal computers.

The new update to Windows, called Windows 3.1, includes enhancements that make it faster, easier to use and more robust than previous versions, Microsoft said.

More than 9m copies of Windows 3.0, the current version, have sold since its introduction in June 1990.

Shipments of Windows 3.1 will coincide with IBM's introduction of OS/2, a competing personal computer operating system.

Originally, Microsoft and IBM co-operated in the development of OS/2, but parted ways after a dispute over the direction of future personal computer operating system software.

IBM chose to promote OS/2 as a replacement for Microsoft's DOS and Windows. Microsoft has focused on enhancing Windows.

IBM aims to break Microsoft's domination of the market with OS/2.

A&P profits halved but margins pressure eases

By Nikki Tait in New York

GREAT Atlantic & Pacific Tea Company, the large supermarket group, has revealed profits more than halved to \$70.6m in the year to February 23.

The after-tax figure compares with \$151m in the previous 12 months, and is scored on sales marginally higher at \$11.6m, up from \$11.4bn.

The company, which still holds a stake in the British Jassco retail group, saw margins come under acute pressure during 1991 and, against this background, the final three months of the year actually represent a slight improvement.

After-tax profits in the fourth quarter totalled \$16.1m, on sales of \$2.74bn. In the third quarter, the figures were \$3.92m and \$2.6bn respectively.

A&P's chairman, Mr Jim Wood, acknowledged that "competitive activity is still very strong", but said the company had at least been able to reverse the downward trend of

year-to-year earnings comparisons which began in the fourth quarter of 1990. "The pressure on margins was less than it was in the third quarter," he commented.

Shares in A&P, the fourth largest supermarket operator in the US and 53 per cent owned by Germany's Tengelmann group, have suffered badly over recent months, but yesterday they managed a modest revival, up 2 1/2 to \$32 1/2, before the close in New York.

Mr Wood said the company's aim in the current 12 months would be to maintain market share and keep costs down, with over \$1bn scheduled to be invested in new stores, remodelled stores and expansion over the next three years.

The company operates 1,238 stores under a variety of names - ranging from Waldbaum's to Farmer Jack's - and plans to open 30 new stores this year.

Bancomer raises \$836m through stock placement

By Damian Fraser in Mexico City

GRUPO Financiero Bancomer (GFB), the holding company comprising Mexico's second largest bank, has placed \$836.7m of stock in the international markets. The offering will enable the group to meet the final payment due on the recently-privatised bank.

The private placement, arranged in the US, priced each Mexican C and B share at \$4.20 pesos (\$1.38), and each American depositary share, worth 20 Mexican C shares, at \$27.50.

GFB had aimed to raise \$600m from the placement, but increased the number of shares available last week due to heavy demand. In the months preceding the placement, GFB

sold \$288m of C shares, bringing the proceeds from recent share sales to \$1.13bn.

The Mexican government sold 56 per cent of Bancomer late last year for a sum, including subsequent accrued interest, that has risen to \$2.88bn.

Mr Ricardo Guajardo, head of Bancomer, said that \$300m from the placement would be used to meet the final payment of \$1.73bn due on April 6, and the rest to buy up shares in GFB and its subsidiaries.

Grupo Financiero Banamex, which contains Mexico's largest bank, is expected to announce soon its international share offering, although for a much smaller sum.

The Japan OTC Fund Inc.

International Depository Receipts
Issued by
Morgan Guaranty Trust Company of New York
evidencing 100 participating shares of US\$1 each

ANNUAL RESULTS AND NOTICE OF ANNUAL GENERAL MEETING

The Directors of the Japan OTC Fund Inc are pleased to announce the audited results for the year to 31st December 1991.

	Year to 31st December 1991	From 14th December 1989 to 31st December 1990
US\$	US\$	US\$
Interest on deposits	646,365	1,518,469
Dividends and interest from investments	318,447	90,254
Less: Withholding tax	(24,834)	(18,001)
Expenses	(1,578,729)	(1,609,830)
Deficit for the year	(648,749)	(18,108)
Net Assets	65,242,444	47,880,551
Net Asset Value per share	10.87	7.98
Diluted Net Asset Value	10.73	N/A

The Board of Directors does not recommend the payment of a dividend for the year ended 31st December 1991.

Notice is hereby given that the Second Annual General Meeting of the Company will take place on Wednesday 6th May 1992 at noon at 47th Floor, Jardine House, 1 Cornhill Place, Central, Hong Kong. A meeting of warrant-holders is to be held immediately after the Annual General Meeting.

VOTING ARRANGEMENTS FOR IDR-HOLDERS

IDR-holders who wish to vote must follow the following procedure: IDR-holders must deliver the IDRs to the depository at the latest on May 4th, 1992 at the address given below (London Securities Department - telephone: 012 508 84 49 - telex: 21752 MORBK B), instruct the Depository as to the manner in which votes should be cast, and indicate to whom the IDRs should be returned after the meeting.

IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York, for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of US\$1 per IDR in respect of which a vote is cast.

Copies of the Annual Report are available from the Depository at the following address: DEPOSITORY: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, BRUSSELS OFFICE, 35, avenue des Arts, B-1040 Brussels

Yokkaichi Warehouse Company Limited

now
Japan Transcity Corporation

U.S. \$60,000,000

3 1/2 per cent. Guaranteed Bonds 1988-1992

We are pleased to advise you that effective as of 1st April, 1992, the name of the "Yokkaichi Warehouse Company Limited" will be changed to "Japan Transcity Corporation".

There will be no stamping or exchange of the Bonds, Warrants and Bonds with Warrants, resulting from the change of name, and the Company will keep its engagement regarding the payment of the principal and interest on the Bonds.

The Bonds, Warrants and Bonds with Warrants remain listed on the Luxembourg Stock Exchange under their former denomination followed by the indication of the new one.

Yokkaichi Warehouse Company Limited
By: The Mitsubishi Trust and Banking Corporation, Ltd.
as Principal Paying Agent

Dated: 19th March, 1992

BERGEN BANK A/S

Yen 712,500,000 Floating Rate
Notes Due 1993

In accordance with the provisions of the notes, notice is hereby given that the rate of interest for the period from 15th March, 1992 to 15th March, 1993 have been fixed at 7.1000 per cent. per annum payable on 15th March, 1993 in the amount of Yen 712,500,000 per denomination in respect of floating rate notes, and at 2.9500 per cent. per annum payable on 15th March, 1993 in the amount of Yen 295,000,000 per denomination in respect of inverse floating rate notes.
Nikko Bank (Luxembourg) S.A.
As Agent Bank

Girozentrale und Bank der Österreichischen Sparkassen

Aktiengesellschaft
Japanese Yen 10,000,000,000
Floating Rate Notes Due 1995

For the six months
18th March 1992
to 21st September 1992
In accordance with the provisions of the notes, notice is hereby given that the rate of interest has been fixed at 5.45 per cent. per annum, and that the interest payable on the notes is to be paid on the 21st September 1992 against Coupon No. 5 will be Yen 2,788,672 per Yen 100,000,000 Note.
The Industrial Bank of Japan, Limited
Agent Bank

Notice of Repayment

U.S. \$150,000,00

INTERNATIONAL CAPITAL MARKETS

Measures to revive banks in Finland introduced

By Sara Webb

FINLAND'S central bank announced plans to revive the country's ailing banking sector and avert a credit crunch yesterday, saying it would raise interest rates, set up a £200bn government deposit guarantee fund, and scrap stamp duty on share transactions.

Finland's banks have been plagued by heavy credit losses in the past year as the economy plunged into recession and the number of bankruptcies soared.

The Bank of Finland said its proposed measures would strengthen banks' capital structure and help to improve interest margins.

"The profitability of banks has deteriorated significantly and their capital positions have weakened. This, in turn, threatens to reduce the supply of credit which would deepen the recession and jeopardise the start of economic recovery," the central bank said. "In order to avoid this type of credit crunch, prompt action is needed."

The Bank of Finland will raise the base rate from 6.5 per cent to 9.5 per cent with effect from the beginning of May, a measure intended to improve the banks' interest margins. A substantial proportion of the banks' lending - particularly to households - is tied to the base rate which has been held at 6.5 per cent since 1989.

However, the banks fund their lending in the money market where they have had to pay considerably higher interest rates - of close to 16 per cent - in recent months.

Finland's bankers have put pressure on the central bank to amend its interest rate policy. The parliamentary supervisory board of the Bank of Finland yesterday said it had decided to raise the interest rates on the banks' low-interest loans - which are tied to the base rate - by one percentage point to a maximum of 12 per cent. The rise in rates is expected to reduce net household income by FM200m a year and will cost corporate borrowers between FM300m to FM400m.

The central bank proposed that the central government would be able to strengthen the banks' capital structure by investing in the banks' core capital if capital adequacy ratios - which are currently above the 8 per cent requirement - fall significantly.

Following the rescue of Skopbank, the central bank for the Finnish savings banks, last year, the Bank of Finland has proposed setting up a new government deposit guarantee fund which would grant support loans and guarantees to the banking sector. The fund would provide back-up for the deposit guarantee funds already in existence for the savings, co-operative and commercial banks.

The abolition of stamp duty on shares is intended to help boost liquidity on the stock exchange and make it easier for the banks to trade their equity holdings.

While bankers have been pressing for many of the changes in recent months, one analyst responded gloomily to the package of reforms, saying "the message is that the situation here is really bad... if the Bank of Finland thought there was going to be a recovery these measures wouldn't be necessary."

South Korea eases rules to lure foreigners

THE South Korean Securities Supervisory Board (SSB) has relaxed stock market registration requirements which have barred investments by overseas unit trusts, investment trusts, pension funds and non-listed companies, Reuters reports from Seoul.

"This is to actively solicit foreign investment and promote the opening of the stock market," the SSB said.

South Korean rules initially excluded all but individual foreign investors and foreign corporations from investing in the market, which was opened to limited direct foreign investment on January 8.

However, South Korea has gradually relaxed the rules, permitting foreign governments and certain pension funds to invest.

Finance Ministry official said 838 foreign investors had registered as of March 17.

In an effort to generate liquidity, the Finance Ministry also announced that country funds would now be permitted to increase their capital and local investment trusts would be permitted to offer new investment products.

The Korea Fund and the Korea Asia Fund, capitalised at a total of \$360m, will be permitted to increase their capital by \$50m each.

UK bond prices retreat on opinion poll rumour

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bond prices fell back yesterday with the publication of opinion polls showing the opposition Labour party five percentage points ahead of the Conservatives.

Long-dated gilts dropped nearly half a percentage point as rumours circulated that a BBC Newsnight poll would show the Labour party as much as eight points ahead of the ruling Conservatives.

Traders said the release of better-than-expected retail sales figures yesterday did little to comfort the gilt market. Retail sales rose by 0.4 per cent in February, or 1.5 per cent year-on-year. The benchmark 11½ per cent gilt due 2008/07 fell from 118½ to 112½ by late afternoon to yield 9.81 per cent.

US TREASURY prices drifted lower yesterday morning in unbroken trading in the absence of any market-moving news.

GOVERNMENT BONDS

At mid-session, the Treasury's benchmark 30-year bond was down ½ at 98½, yielding 8.02 per cent. Shorter-dated maturities were also modestly lower yesterday morning.

There was little reaction to the midday release of the Federal Reserve's Tanzi book on business conditions in the 12 Federal Reserve districts.

Inflation pressures were downplayed in the Tanzi book, where the Fed said "Wage and price pressures appear generally quite moderate." Ms Maria Ramirez, a market analyst, described the tone as an "open mouth policy" geared toward stemming inflationary fears in the bond market.

With no US economic data scheduled for imminent release, the market is expected to turn its attention to supply, particularly next week's two and five-year note auctions.

CBOT options on futures expand

By Barbara Durr in Chicago

THE Chicago Board of Trade will begin trading options on its two-year Treasury note futures on April 24. Options trading on the CBOT's interest rate futures has mushroomed in recent months, making the likelihood of success for the

new product considerably greater.

While the CBOT, the world's largest futures market, is home to the 30-year Treasury bond contract, the most widely-traded in the world, investors are finding shorter-term

futures and futures options increasingly attractive.

Trading in options on the CBOT's five-year Treasury note futures, for example, nearly tripled for January to February 1992 compared with the same period last year.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	10.000	10/02	98.3780	+0.281	10.10	9.98	10.10
BELGIUM	9.000	06/01	101.4000	-0.100	8.78	8.70	8.73
CANADA	8.500	04/02	97.8500	+0.600	8.77	8.73	8.45
DENMARK	9.000	11/00	101.2750	-0.375	8.78	8.65	8.80
FRANCE	8.500	03/97	98.2995	-0.270	8.93	8.78	8.79
FRANCE	8.500	11/02	98.0700	-0.520	8.82	8.54	8.47
GERMANY	8.000	01/02	100.3600	-0.160	7.94	7.91	7.91
ITALY	12.000	02/02	98.8100	-0.170	12.07	12.12	12.23
JAPAN	4.000	08/99	95.6450	-0.550	5.91	5.71	5.72
UK 128	8.400	03/00	103.1970	-0.193	8.36	8.43	8.13
NETHERLANDS	8.250	02/02	98.8200	-0.110	8.30	8.25	8.31
SPAIN	11.200	01/02	102.4500	-	10.86	10.86	10.82
UK GILTS	10.000	11/90	100.4	+1/32	9.58	9.75	9.45
	8.750	08/92	98.91	-1/32	9.75	9.84	9.33
	9.000	10/98	98.30	-1/32	9.33	9.43	9.13
US TREASURY	7.500	11/01	99.30	-7/32	7.83	7.47	7.40
	8.000	11/21	99.07	-7/32	8.02	7.98	7.91

London closing, "denotes New York morning session. Yield: Local market sentiment. (Gross) (including withholding tax at 12.5 per cent payable by non-residents.) Prices US, UK in 32nds, others in decimal. Technical Data/TLAS Price Sources

THE GERMAN government bond market fell on news of a higher-than-expected wage settlement for some of the engineering workers, and speculation that the Bundesbank may raise interest rates at today's Council meeting.

The Life fund futures contract opened at 88.26 and fell to a low of 87.91 on a volume of 47,000 contracts.

News that about 7,000 workers within the IG Metall union had agreed a 7.2 per cent pay rise pushed bond prices down. Traders expressed fears that the agreement could herald further high wage settlements and therefore delay an easing in interest rates.

In addition, dealers said the market was unsettled by an announcement that Chancellor Helmut Kohl is due to attend the Bundesbank Council meeting today, with some market participants worried that this could signal an interest rate rise.

Elsewhere in the European bond markets, French government debt fell back on worries about the outcome of Sunday's regional elections in France. Foreign investors are concerned that the expected heavy

defeat for the ruling Socialists could encourage them to raise state spending ahead of the 1993 general election.

JAPANESE government bonds opened on a strong note, helped by the US Treasury bond market's strength overnight and hopes of a cut in interest rates, but drifted back during the day to close slightly lower.

The yield on the benchmark No 129 issue moved from its opening level of 5.355 per cent to close at 5.385 per cent in Tokyo. However, the strengthening of the yen against the US dollar to 132.25 in London trading helped to lift JGB prices slightly and the yield on the No 129 moved to 5.37 per cent.

The June futures contract fell from its opening of 102.73 to close at 102.68 in Tokyo. Traders continue to speculate that the Bank of Japan will cut the Official Discount Rate in the next few days.

However, short-term interest rates edged up yesterday, with three-month certificates of deposit trading at 4.98 per cent up from 4.90 per cent on Tuesday.

All of these securities having been sold, this announcement appears as a matter of record only.

28,750,000 Shares
Sears, Roebuck and Co.
\$3.75 Depositary Shares
Each Representing One-Fourth of a
Series A Mandatorily Exchangeable Preferred Share—PERCS™
(Mandatorily Exchangeable for Common Shares,
Par Value \$.75 Per Share, of Sears, Roebuck and Co.)
(Par Value \$1.00 Per Share)

Dean Witter Reynolds Inc.

Goldman, Sachs & Co.

Morgan Stanley & Co.
Incorporated

Bear, Stearns & Co. Inc. The First Boston Corporation Alex. Brown & Sons
Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette A.G. Edwards & Sons, Inc.
Kemper Securities Group, Inc. Kidder, Peabody & Co. Lazard Frères & Co.
Merrill Lynch & Co. Montgomery Securities
J. P. Morgan Securities Inc. Oppenheimer & Co., Inc. Salomon Brothers Inc.
Smith Barney, Harris Upham & Co. Wertheim Schroder & Co.
Advest, Inc. William Blair & Company J. C. Bradford & Co.
The Chicago Corporation Cowen & Company Credit Lyonnais Securities (USA) Inc.
Dain Bosworth McDonald & Company Piper, Jaffray & Hopwood
Rauscher Pierce Refsnes, Inc. Raymond James & Associates, Inc.
The Robinson-Humphrey Company, Inc. Sutro & Co. Incorporated Tucker Anthony
UBS Securities Inc. Wheat First Butcher & Singer Robert W. Baird & Co.
Crowell, Weedon & Co. Interstate/Johnson Lane Edward D. Jones & Co.
Ladenburg, Thalmann & Co. Inc. Ragen MacKenzie Scott & Stringfellow Investment Corp.
Stifel, Nicolaus & Company Wedbush Morgan Securities
Incorporated

March, 1992

February 1992

TEXTRON

Textron Inc.

has acquired



The Cessna Aircraft Company

a wholly-owned subsidiary of

General Dynamics Corporation

The undersigned acted as exclusive financial advisor to Textron Inc.

Bankers Trust
Bankers Trust New York Corporation
through its subsidiary
Bankers Trust Company

SOCIETE GENERALE
FRF 500,000,000
SUBORDINATED FLOATING
RATE NOTES DUE 2001
For the period March 18, 1992
to June 17, 1992 the new rate
has been fixed at 10.1798% P.A.
Next payment date: June 17, 1992
Coupon nr: 5
Amount: FRF 514,64 for the
denomination of FRF 20 000
THE PRINCIPAL
PAYING AGENT,
SOGEMAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

MIDLAND INTERNATIONAL
FINANCIAL SERVICES B.V.
FRF 800,000,000
GUARANTEED FLOATING
RATE NOTES DUE 1997
For the period March 18, 1992
to June 17, 1992 the new rate
has been fixed at 10.42% P.A.
Next payment date: June 18, 1992
Coupon nr: 21
Amount: FRF 268,29 for the
denomination of FRF 10 000
THE PRINCIPAL
PAYING AGENT,
SOGEMAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

FIRST AUSTRALIA PRIME
INCOME INVESTMENT
COMPANY LIMITED
International Depositary Receipt
Issued by
Morgan Guaranty Trust Company of
New York
Notes are hereby given to the shareholders that:
Payment of coupon number 42 of the
International Depositary Receipts will be
made in US dollars on or after March 30th,
1992 at the rate of US\$ 0.0917 per ordinary
share at the following offices of Morgan
Guaranty Trust Company of New York:
- New York, 25, West Broadway
- Brussels, 35, Avenue de la
- London, 1, Angel Court
- Frankfurt, 44/46, Mainzer Landstrasse
The dividend is not subject to say
Australia tax. The Belgian withholding
tax will be applicable to IDR holders
presenting their coupons in the offices of
the Depositary without the appropriate non-
Belgian resident certificate.
Depositary: Morgan Guaranty Trust
Company of New York
25, Avenue des Arts, 1040 Brussels

COMPAGNIE BANCAIRE
FRENCH FRACS 800,000,000
FLOATING RATE NOTES
DUE 1997
For the period March 18, 1992
to June 17, 1992 the new
rate has been fixed
at 10.1718% P.A.
Next payment date: June 17, 1992
Coupon nr: 7
Amount: FRF 255,74 for the
denomination of FRF 10 000
FRF 255,74 for the
denomination of FRF 100 000
THE PRINCIPAL
PAYING AGENT,
SOGEMAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

STRAIGHT BONDS: The yield is the yield to redemption of the bond, the amount issued in millions of currency units. Chg. day = Change on
FLUATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month
LIBOR rate (nine-month below most rate) for US dollars. Cdn = The current month.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cdn. price = Nominal amount of bond per share expressed in
currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond
over the most recent price of the shares.

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Data supplied by International Securities Market Association.

INTERNATIONAL CAPITAL MARKETS

Denmark's Ecu1bn issue attracts firm demand

By Tracy Corrigan

A CLUTCH of sovereign and supranational borrowers tapped the Eurobond market yesterday, boosting investor interest in an otherwise lacklustre market.

Denmark launched its long-awaited Ecu1bn 10-year bond offering, which is listed in Copenhagen but will be traded internationally. The deal, priced to yield six basis points more than the 8 1/2 per cent French Treasury issue due 2002, met firm demand from institutional investors, even though the pricing was not considered generous.

Many fund managers had made room in their portfolios for the Danish offering as the deal was first announced several months ago. However, the deal did not excite the same enthusiasm as other quasi-governmental bond issues in the sector, such as the UK deal last year.

The delay was caused by the technical difficulties of creating bonds that could be traded and settled both in Denmark and internationally. The issue is structured like a Eurobond, with clearing through Euroclear and Cedel, but is also registered, and can be cleared

INTERNATIONAL BONDS

through, the Danish Securities Centre.

Denmark's benchmark Ecu bond was prompted by political motives rather than any need for funds. The proceeds of the issue will be added to foreign exchange reserves, but the Danish government was keen to place Copenhagen on the map as an Ecu trading centre.

Dealers in Denmark said that domestic demand had been better than expected, accounting for placement of around 25 per cent of the transaction. Danish investors, who have no tradition of buying Ecu bonds, were encouraged by the establishment of a repo market and a market making system.

Den Danske Bank and Unibank, the joint bookrunners, along with Bibuben, Jyske Bank, and Sydbank.

Also in the Ecu sector, the World Bank launched a small offering of five-year bonds.

Dealers said the pricing of the Ecu1bn deal to yield less than the five-year French government Ecu OAT issue was over-ambitious. However, lead manager Crédit Lyonnais reported strong demand from Italian investors for whom the World Bank name is exempt from withholding tax.

In the dollar sector, the European Investment Bank (EIB) and the Austria-guaranteed Österreichische Kontrollbank (OKB) each raised five-year debt.

The EIB's \$500m deal was considered rather aggressively priced at a yield spread of 12 basis points above the five-year US Treasury yield.

However, five-year sovereign and supranational paper has outperformed the rest of the market due to the increased demand for quality issues. Goldman Sachs underwrote the entire transaction, with only a small selling group; consequently, it was hard to gauge how much paper had been sold.

A \$200m five-year deal for OKB, priced to yield 25 basis points above the five-year Treasury, met strong demand from institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	US \$	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
EBI (a)	500	7	86.87	1997			Goldman Sachs Int.
ONK (a)	200	7 1/4	100.905	1997		1 1/2	J.P.Morgan Secs.
Yusuda Trust Asia Pacific (a)	10	(d)	102	2002		2	Crit.Suisse Fst Boston
ECU							
Kingdom of Denmark (a)	1bn	8 1/2	99.27	2002	0.325/0.20	Unibank/Den Danske	
World Bank (a)	150	8 1/4	99.85	1997	25/10bp		Credit Lyonnais
YEN							
Republic of Ireland (a)	10.5bn	5 1/2	100	1998	2 1/2		Dalwa Europe
SWISS FRANKS							
Kito Corporation (a) (a)	60	4 1/4	100	1998			Nomura Bank
FRENCH FRANKS							
Toyota Motor Credit (a)	1.5bn	9 1/4	101.1375	1998	1 1/4		Barclays Paribas Cap.Mkts.
QUILDER							
Commerzbank AG (a)	150	8 1/2	100.40	2002	1 1/4		Rabobank

*=Private placement, #Convertible, @With coupon payable semi-annually, (a) Floating rate note, (a) Principal term, (a) Non-callable, (a) Fungible
+Floating 8 1/4 band due 3/4/1999, (a) Coupon payable semi-annually, (a) Put option on 3/1/2001, (a) 100% to yield at 8.75%, (a) 8.75%
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+Floating 8 1/4 band due

(a) Private placement. (b) Convertible. (c) With equity warrants. (d) Floating rate note. (e) Final terms. (f) Non-callable. (g) Fungible with existing 8 1/2 per cent bond due 3/4/1992. (h) Coupon payable semi-annually. Put option on 3/1/94 at 105.75 to yield at 8.75. (i) Coupon pays 6 months Libor plus 50bp for first 2 years. Thereafter pays 9%. (j) Domestic issue, listed in Copenhagen.

Dominion puts O&Y ratings under review

THE credit rating of two commercial paper programmes of Olympia & York, the Canadian property group, were yesterday put under review for a possible downgrade by Dominion Bond Rating Service, writes Our Financial Staff.

The agency said there was "nothing fundamentally wrong" with the company or with its two commercial paper programmes, but that "continuing rumours and negative press reports" were making it difficult for the company to roll

over its commercial paper. News of the possible downgrade comes in the wake of O&Y's decision to wind down its commercial paper programmes. The group's commercial paper is currently rated R-1.

Liffe faces equity options row on eve of merger

By Tracy Corrigan

ON THE EVE of the official merger of the London International Financial Futures Market (Liffe) and the London Traded Options Market (LTOM), another row over the future of equity options trading at the new exchange has blown up.

Firms which came forward to act as market-makers in individual stock options are urging Liffe to appoint a managing director in charge of stock options trading under the new exchange.

The options traders charge that a business plan designed to jump-start the market - and someone to put it into action - is urgently needed.

Liffe, so far, appears to be resisting such pressure, but officials at the exchange were unavailable for comment.

The disagreement is the latest in a long series of disputes which dogged the merger's history for several years. With the legal merger about to go ahead this weekend, and trading under the new London International Financial Futures and Options Exchange - still to be known as Liffe - set to start on Monday, the latest row is not serious enough to jeopardise the merger at this late stage.

However, the deadline for signing the official market-making agreement by

the end of trading yesterday was not met by some of the six market-making firms as they increased pressure on Liffe.

The merger was postponed in January because an insufficient number of firms came forward to make markets in the 67 equity options traded on LTOM. While hopes are running high for the FTSE index option, there seems little chance that the low volume currently recorded in individual options will be substantially boosted by the merger, at least initially.

The argument over the future of open-outcry trading, which the large banks argue should be replaced by a

screen-based system, could also resurface.

"The equity product is sufficiently different from Liffe's mainly interest rate and futures products for some specialist equity derivatives knowledge to offer important benefits to the Liffe staff," said Mr David Wenman, head of European equity derivatives at Swiss Bank Corporation, one of the six market-making firms.

Mr Tony de Guingand, who ran the Liffe, will become finance director of the merged exchange, which will be headed by Mr Michael Jenkins.

Germans draw line at two sets of accounts

David Waller examines why they are denied access to capital markets in the US

Mark Twain once observed that it is difficult to take an intelligent person about 30 hours to master the English language, 30 days to get on top of French - and about 30 years to master German.

In broad terms, the same holds true for accounting. The business language, English, even French accounting is relatively easy to get to grips with - but it takes years to make sense of German accounting.

Indeed, the more sceptical analysts say that it can never be done - that the very term German accounting is a contradiction in terms.

UK accounts at least pay lip service to the notion that accounts should provide a "true and fair" representation of what is happening at the company. The German accountants do not seem to give outsiders such as analysts or investors a "true" or "fair" picture of a company's financial condition.

If this makes it difficult for international fund managers to make informed investment decisions about German companies, it also denies German companies access to the world's largest capital market. The fact that not a single German company has a full listing in the US is directly due to German accounting. Last year, a number of Germany's largest companies - including Delmhorst, Bayer, Hoechst and BASF, and a number of large banks - approached the Securities & Exchange Commission in the US with a view

to obtaining a listing in the US. The talks came to nothing.

The main obstacle was the SEC's requirement that the German companies - like all companies listed in the US - should comply with the generally accepted accounting principles (US GAAP) in the US. The German companies

refused to give way, and the SEC would not compromise: hence an impasse.

The issue has rumbled on since then. Last month the Federation of German Stock Exchanges said it was likely the European Commission would sue the SEC on behalf of all European countries.

The EC may well take up the "reciprocity" argument used by the German companies last year - that a company which had complied with German listing requirements ought to qualify automatically for a listing in the US, without having to comply with US GAAP. Since German listing requirements are much less stringent, US companies have no difficulty gaining a quote there.

Apart from the general principle that German companies give away very little financial information, the main practical difference between Teutonic accounting and the Anglo-American variety is that German accounting invariably understates both assets and

profits, as compared to figures presented under UK rules or US GAAP.

An exercise conducted last year by Mr Gary Schiemenan, an analyst for Smith New Court in New York, showed that shareholders' equity at Mannesmann - a large German engineering company -

at the end of 1989 would have been at least 40 per cent higher if presented under US GAAP, while net profits would have been 50 per cent and 36 per cent higher in 1988 and 1989 respectively.

In another study, Mr Schiemenan showed how the Volkswagen car company's 1989 profits would grow from DM1.04bn under German rules, to DM1.5bn under UK rules, and DM1.9bn under US rules. In the answer to the question "what did Volkswagen really earn in 1989?", Schiemenan was forced to conclude that it depended entirely on your accounting perspective. What was true for the 1989 figures, applies equally to those produced by large German companies in 1990 and 1991, says Schiemenan.

The differences between the German and the UK and the US versions of the figures are in part due to German conservatism on specific issues such as accounting for goodwill and depreciation, but there are also more fundamental factors at

work. Mrs Heidrun Haase of Deutsche Bank Research in Frankfurt identifies some of the underlying causes of the differences between German and Anglo-American accounting.

German law insists that the interests of creditors take precedence over those of shareholders.

The so-called *Glaublichschuldprinzip*, in which the principle is enshrined, means that companies are under legal pressure to understate reported profits and assets.

There is no distinction between tax accounts and published accounts, as there is in the UK or the US. The *Massebilanzprinzip* orders that in order to get a deduction for tax purposes it must be booked in the published accounts. Thus there is a cash incentive for German companies to keep reported profits as low as possible, because lower profits mean lower tax bills.

The structure of the German capital market does not bring pressure on companies to ramp up their reported profits. Only about 650 German companies are listed on the stock market, and of these the vast majority are controlled by banks or families with long-term investment horizons. These shareholders have access to the management accounts, which tell the full story denied to those who must

rely on published figures. Despite recent developments such as the Continental-Pirelli saga and Krupp's takeover of Hoechst, there is no vigorous "market for corporate control" in Germany and managers do not have to present spectacular profits growth to fend off takeover.

A further, unspoken reason why German companies do not want to present US-style figures is that it would weaken their hand in negotiations with unions: Germany's labour costs are already higher than anywhere else in Europe, and the fear is that they could get higher if the unions saw the profits restated upwards under US or UK GAAP.

Moreover, German managers worry that if they adopted US GAAP, they would be taking the first steps down the slippery slope to short-termism, that is, that industrial strategy would have to be sacrificed to the need to boost reported profits.

There are signs that despite these forces for conservatism, German accounting is changing: big companies are obliged to compete in international capital markets for funds and get better rates the more they disclose. But they still draw the line at presenting two completely different sets of accounts, as they would have to if they listed in New York. Mrs Haase says the best German companies will in future strike a balance between "being prudent and making their figures understandable for foreign capital markets".

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Other Fixed Interest	0	9	5
Commercial, Industrial, Financial & Property	133	461	875
Oil & Gas	59	207	52
Plantations	1	2	6
Mines	40	22	86
Others	53	33	53
Totals	296	835	1,504

LONDON RECENT ISSUES

EQUITIES										
Issue Price	Amount Paid	Latest Bid Date	1991/92		Stock	Closing Price	Par	Net Div	Time to Maturity	Yield Rate
	F.P.	F.P.	High	Low						
500	500	548	67	63	Amsterdamsche Schied. Oefn.	463	100	13.1	2.1	7.1
500	500	548	67	63	Amsterdamsche Schied. Oefn.	463	100	13.1	2.1	7.1
70	70	378	378	378	Boeysema Int'l. (OFFSH)	378	50	6.75	5.0	13.9
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UK COMPANY NEWS

Bowthorpe declines 11% despite German growth

By Angus Foster

BOWTHORPE Holdings, the electrical and electronic components maker, yesterday announced an 11 per cent fall in profits as the impact from recession outweighed a strong performance in Germany.

Pre-tax profits in 1991 fell from £45.5m to £40.3m - below market expectations. Taking out discontinued businesses, the fall was 8 per cent.

Mr John Westhead, chief executive, said any profit rise this year was likely to be modest. "But we have maintained our margins and are building for recovery," he said.

Turnover fell 9 per cent to £220.5m. In the UK, where its main customers include the construction and motor industries, conditions were tough. The UK accounted for 20 per cent of total sales, down from 28 per cent last year.

But sales in Germany remained buoyant, especially in the construction sector. Operating profits in mainland Europe increased from 37 per cent to 40 per cent of total profit.

Operating profits in the US improved, despite the recession, partly due to strong sales to the medical sector from Thermometrics, which made a full year's contribution for the first time.

Earnings fell to 14.04p (16.01p) per share. The company is recommending an increased final dividend of 4.34p (4.13p) for a total 5 per cent ahead to 6.04p (5.75p).

There was a £180,000 currency loss and losses of about £1m on restructuring costs. In the UK, there were 150 redundancies.

COMMENT

Bowthorpe's long practised strategy of developing niche markets internationally, and adding to growth through small acquisitions, is set for a little bit of a shake up. The company said it now intended to aim for bigger takeover targets, although the concentration on niche products would remain. This should not present a problem, since the company held net cash of £18.6m at the year end and has strong positive cash flow. Meanwhile, Bowthorpe's leading position in its key markets will underpin profits should the recession continue. Forecast profits for this year of £41m to £42m put the shares on 15 times earnings. But until the previous growth track is recovered, the shares are fully valued.

Mosaic shares fall on warning

SHARES OF Mosaic Investments, the engineer and character merchandiser, fell from 206p to 120p yesterday following a warning that profits for 1991-1992 were likely to be materially affected by a significant downturn in the marketing services division, writes John Murrell.

A trading statement from the directors said the results of the division in January and February had fallen materially below expectations. As a consequence, they expected full year operating profits from marketing services to be "significantly less" than the £3.07m reported for 1990-91.

Over the first six months of the current year the division's operating profits fell from £1.53m to £839,000. A rationalising programme of the division, to include the sale or closure of businesses, would be treated as an extraordinary item in the full-year results.

It was pointed out that the other sectors of the group continued to be profitable and were generally in a strong position.

For the year to April 1991 Mosaic achieved a rise in pre-tax profits from £4.84m to £7.56m. For the first six months of the current year group profits were little changed at £3.24m (£3.35m).

European Leisure £45.8m in the red

By Angus Foster

DISCO AND snooker hall owner European Leisure, under investigation by the Serious Fraud Office concerning its acquisition of Midsummer Leisure in 1990, yesterday announced losses after exceptional items of £45.8m and said it planned to sell up to 30 units to reduce bank borrowings.

The exceptional charges included provisions of £24.6m for losses expected on disposals and a £12.3m transfer of goodwill from reserves, in line with new accounting standards.

Mr Ian Rock, who took over as group managing director following the resignation of Mr Michael Ward last July, said the company aimed to raise between £10m and £12m from

disposals over the next 12 months. This would be used to reduce bank borrowings of £78m, equal to gearing of 217 per cent.

European Leisure ran into trouble following the 1990 takeover of Midsummer Leisure. The recession, which has hit leisure companies hard, was combined with high interest costs and almost brought the company to collapse.

Mr Rock said that Barclays, the company's banker, remained "fully supportive" and has agreed in principle to provide additional borrowing facilities through to April 1993.

"I feel fairly confident the group does have a future. Maybe we do need a bit of luck,

but we only need to see trading improve a little to see a big improvement," he said.

Trading profits almost halved to £4.6m (£8.77m) in the six months to end-December as discos and venue bars were hit by recession.

Interest costs fell to £3.76m (£4.35m). Snooker operations were more resilient and an amusement machine manufacturing division increased profits sharply to £1.75m, following the success of its Screenplay machine.

The retained loss totalled £56.4m (£1.76 profit).

COMMENT
The market was not expecting exceptional charges of this

magnitude. The hope must be that after making them public now, there are no more to come. The planned sell-off covers loss-making and non-core units and given that European Leisure is effectively a forced seller, drastic provisions for losses seem sensible. The question is whether the company can find any buyers in time. Even if it does, it will be left with debt of more than £64m, and the first half performance would have been even more ghastly without a possible one-off from amusement machines. European Leisure has a very long way to go before it is safe. Even without the SFO cloud, the shares cannot be worth the risk.

Banks support Porth as it warns of deficit

With its share price bumping along the bottom at 5p, Porth Group, the USM-quoted Christmas decorations maker, issued a statement yesterday to clarify its position, writes Ivor Duce.

The group warned of losses for the full year but said there

were early indications of some upturn in orders for the 1992 season. Directors said however that it was necessary to fund the cost of stock build-up to satisfy the Christmas market for 1992 and they therefore announced that agreement in principle had been reached

with their bankers to extend the facilities considered necessary to support immediate requirements for working capital.

Immediately following the announcement yesterday the shares rose 2p to 7p before ending the day ½p up at 5½p.

NEWS DIGEST

Maunder declines to £2.19m

JOHN MAUNDERS Group, the Manchester-based house-builder, unveiled a relatively resilient performance in the six months to end-December. Pre-tax profits amounted to £2.19m, against £2.56m in the corresponding half of 1990.

Mr John Maunder, chairman, said that trading conditions would remain "extremely difficult" until political uncertainty was resolved and purchaser confidence returned.

Interest charges fell to £920,000 (£1.43m). Gearing at December 31 was about 22 per cent, although this will rise in the second half when most of the group's land purchases are made.

Although the period saw more completions - 404 against 371 - turnover declined 8 per cent to £26.8m partly reflecting discounted selling prices. The average price dropped from £78,740 to £68,263. Earnings dipped to 5.97p (6.84p) per 20p share; the interim dividend is maintained at 2.3p.

Marginal growth at British Mohair

Pre-tax profits of British Mohair Holdings improved marginally from £2.53m to £2.62m over 1991, although turnover fell by almost £3m to £36.5m.

Mr Charles Fenton, chairman, said although demand for the group's products did not measurably improve, the textile division achieved a better performance. This was partly offset, however, by lower profits from engineering.

Earnings per share rose to 13.71p (12.71p) and a same again final dividend of 7.1p maintains the pay-out for the year at 8.5p.

Expanding SME rises to £1.6m

Sanderson Murray & Elder (Holdings), the expanding motor distributor, returned profits of £1.55m pre-tax from a turnover of £72.4m for the year to end-December.

The results compared with £836,000 and £22.6m respectively for the 18 months to December 31 1990.

Earnings rose to 44.1p (32.3p) and a proposed final dividend of 7p makes a 10p (same) total.

The company's 50p shares, which rose 11p to 53p yesterday, are to be sub-divided into five 10p units.

WSP shows sharp decline to £1.06m

WSP Holdings, the consulting engineer, saw pre-tax profits tumble almost 30 per cent to £1.06m in 1991 on turnover down from £11.5m to £9.8m.

A rise in interest charges of £108,000 reflected a full 12 months on the commercial mortgage to acquire the Bristol offices compared with seven months in 1990.

Earnings emerged at 7.2p (10.1p) and the final dividend is 1.8p, maintaining the total at 2.9p.

Static year for Spandex

Profits of Spandex, a US-based supplier of sign-making equipment, were virtually static at £4.2m pre-tax for the year to end-December.

The figure, which compared with £4.3m for 1990, was struck from turnover some £10m higher at £52m. The increase in sales reflected organic growth and expansion into continental Europe.

A proposed final dividend of 4.1p makes a 6p (5.5p) total. Earnings fell 4p to 20.4p per share.

British-Borneo Petroleum at £3.9m

British-Borneo Petroleum Syndicate, the oil and gas exploration company, reported profits after tax of £3.92m from total revenue of £9.21m in the year to end-December.

This compares with profits of £2.55m on revenues of £4.4m in the preceding nine months. Oil and gas production achieved sales of £3.2m against £693,000, while profits from dealing activities were doubled to £4.21m (£2.12m).

Sir Douglas Morpeth, chairman, said there had been a substantial growth in production revenues from US operations, while the integration of new North Sea assets, purchased in November 1991 from Norsk Hydro, had made an initial contribution to the improved profits.

As forecast at the time of the placing and open offer in November 1991, directors are proposing a final dividend of 4.43p, making a total for the year of 7.1p (5.33p adjusted).

The dividend is covered 2.8 times by earnings per share of 19.96p (18.1p).

Revenue growth 8% in a recovery year. Earnings per share up 21%.

PRELIMINARY RESULTS

£1 = \$1.77 for 1991 (\$1.79 for 1990)

	Year to December		Change
	1990	1991	
REVENUE* (continuing operations)	£18,170m	£19,569m	+8%
PRE-TAX PROFIT	£945m	£1,050m	+11%
EARNINGS PER SHARE	23.0p	27.9p	+21%
DIVIDENDS PER SHARE	31.1p	33.6p	+8%

* including exchanges managed by Farmers

● Tobacco trading profit, up 14 per cent to £1,075 million, comfortably breaks £1 billion barrier for the first time.

● Cigarette volumes increased by 3 per cent with buoyant sales of international brands. Exports up 24 per cent.

● Financial services £232 million trading profit from continuing operations, despite losses suffered by Eagle Star's general business.

● Good performances from Farmers, Allied Dunbar and Eagle Star Life.

● Recommended final dividend of 11.2p. Total for the year 33.6p, up 8 per cent, demonstrates the Board's continuing commitment to dividend increases substantially in excess of the rate of inflation.



B.A.T. INDUSTRIES

Full financial statements for the year ended 31/12/90 have been delivered, and for the year ended 31/12/91 will be delivered, to the Registrar of Companies, both of which carry an unqualified audit report. The full results are being posted to shareholders and copies are available from the Company Secretary, B.A.T. Industries plc, Windsor House, 50 Victoria Street, London SW1H 0NL.



THORN EMI

THORN EMI Capital N.V.

(Incorporated in the Netherlands Antilles with limited liability)

Notice to holders of 5% per cent. Guaranteed Redeemable Convertible Preference Shares 2004 ("RCPS")

Further to the notice given to the holders of the RCPS on 11th March, 1992 regarding an adjustment of the conversion price at which the RCPS are convertible into THORN EMI plc ordinary shares of 25 pence each, THORN EMI plc confirms that, in accordance with the terms of the Deed Poll, the conversion price per ordinary share has been adjusted from 745 pence to 716 pence.

If RCPS holders exercised their conversion rights prior to 19th March, 1992 and after 10th March, 1992 they will be entitled to be issued additional ordinary shares as if the adjustment to the conversion price had become effective on 10th March, 1992.

19th March, 1992

UK COMPANY NEWS

Trade Indemnity shares fall as loss grows sharply

By David Dodwell, World Trade Editor

TRADE INDEMNITY, the leading trade credit insurer in the UK, yesterday announced heavily increased pre-tax losses to £46.6m for 1991 and said it would pay no dividend for the year for the first time in its 74-year history.

Its shares closed 13p lower at 30p.

Mr Peter Dugdale, chairman, said: "The fight against the ravages of recession is not yet over." But he reported signs that business insolvencies were now levelling off at the 1991 level.

Trade Indemnity customers reported 8,824 business failures in 1991, up 60 per cent on 1990. The company accounts for 82 per cent of the credit insurance underwritten in the UK.

The company's pre-tax loss, which compares with £28.8m in 1990, includes new provisions against an anticipated loss in the 1990 underwriting year of £20.6m.

The total projected loss for that year is now £37.5m.

The second main contributor to the loss was a £19.5m provision to wind up its Special Underwriting Unit, set up in 1985 mainly to specialise in commercial mortgage insurance.

The overall loss, which is cut back to £38.7m after tax recoveries amounting to £7.9m, compares virtually all of last May's rights issue. It had raised £39.6m at 56p a share.

There had been speculation

ahead of the company's results that the company would make a fresh call for funds. Mr Vic Jacob, managing director, yesterday scotched such talk. He said liquidity levels were "quite favourable", and the solvency ratio strong.

Following a premium rate increase of 40 per cent in May last year, premium income in 1991 rose by almost 30 per cent to £136.3m.

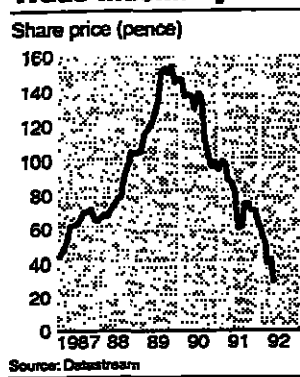
The company noted that record business failures had thrown the spotlight on the value of Trade Indemnity's services, lifting new business of continuing operations from £24m to £27m.

Trade Indemnity, which withheld its interim dividend in September, said yesterday it would not pay a final either. In 1990 it paid a total of 1.9p. Losses per share totalled 26.3p (£1.64p adjusted for the rights issue).

● **COMMENT**

A loss in the middle of the UK's longest post-war recession was no surprise but analysts were shocked by the size of the deficit and the doubling of gross claims to £163m. Worse was the £19.5m cost of closing the Special Underwriting Unit. It was an awful prospect on the disastrous decision to set up the unit in 1985. It is understood the unit has paid out on, or made reservations against, virtually all of the 50-odd poli-

Trade Indemnity



Source: Datastream

cies underwritten. The company expects to make no provisions this year. This is scant comfort for the nine European insurance groups who hold 80 per cent of its shares which have collapsed from a 52-week high of 101p. There will be relief that no new rights issue has been made immediately. But a fresh capital injection, perhaps resulting in a rationalisation of shareholdings, cannot be ruled out. Cofoce, the leading French export credit company with a 3.5 per cent stake bought last September, is probably licking its wounds. Swiss Re and Munich Re, which together hold just under 26 per cent, might see value in closer links between Trade Indemnity and Hermes, Germany's leading export credit company.

CE Heath to float Australian subsidiary

By Richard Lapper

IN A move signalling its intention to concentrate on international insurance broking, CE Heath, the listed UK broker, yesterday announced the flotation of its long-established Australian underwriting business.

The group hopes to generate about A\$108m (£44m) via the sale of 72m shares in CE Heath International Holdings, its Australian subsidiary, representing about 45 per cent of the company's enlarged capital.

The money is to be used to repay debt and fund the Australian subsidiary's expansion.

Mr Peter Presland, chief executive, accepted that the flotation, which will reduce CE Heath's contribution to Heath's profits, would be dilutive, which was one of the reasons for a negative response from the market which marked the shares down 21p to 418p.

After the flotation, which should be completed by the end of the year, CE Heath will retain a 44 per cent holding in the enlarged venture, with HHI management holding 11 per cent.

With long term investment in mind Heath will purchase from HHI its shareholding in Trade Indemnity - representing 5 per cent of the issued share capital - for £7.4m cash.

In addition Heath will purchase from HHI its 80 per cent holding in Lloyds New York Insurance Group for £3.3m cash.

Some A\$45.2m of the proceeds are earmarked to finance the expansion of HHI, which specialised in commercial liability business. A\$5m is to be allocated for the expenses of the flotation, A\$40m to repay bank debt and A\$17.8m to repay inter-company debt.

One of the reasons for the Australian stockbroker, will manage and underwrite the flotation. The deal is subject to shareholders' approval.

In the year to December 31 HHI earned unaudited pre-tax profits of A\$4.6m on gross premium income of A\$36.7m.

HHI's contribution to CE Heath's pre-tax profit of A\$3.7m for 1992, on the assumption that the flotation goes ahead without any hitches.

Try advances 22% to £2.2m

By Peggy Hollinger

Try, the property and construction group, yesterday unveiled a 22 per cent rise to £2.2m in pre-tax profits for the year to December 31.

It also reported that sales of its houses had doubled in the last six weeks.

Mr Hugh Try, chairman, said that although the actual number was small, the company had seen a "definite pick up" in sales. The increase in activity had been felt across the group's geographical spread of Scotland, West Wales and south of London. During the year Try sold 168 units, compared with 171 last time.

He warned, however, that the contracting industry continued to face a difficult period. "We are not prepared to maintain volume without an acceptable margin," he said. Operating profits in the contracting division fell by 51m to £2.3m.

Group turnover during the year fell from £12.4m to £11.4m. The housebuilding division reduced losses from £3.5m to £1m, after the 21m exceptional write-down on the value of housing land. A further £3.2m extraordinary provision was made for the closure of the property development division.

The final dividend is maintained at 4p for a 6p (same) total.

Rentokil

By Roland Rudd

RENTOKIL GROUP, the environmental services and property care concern, yesterday continued to live up to its promise of delivering at least 20 per cent growth in profits and earnings by reporting a 27 per cent rise in pre-tax profits,

from £74.7m to £94.6m, for 1991.

Profits were boosted by strong growth from environmental services, which contributed £87.6m (£82.6m), more than offsetting the decline from £8.4m to £5.41m in

property profits.

Earnings per share rose to 15.5p (12.22p). Sales totalled £989m (£939m).

Mr Clive Thompson, chief executive, said Rentokil could continue to grow at this pace because of the worldwide demand for its environmental services.

Sales grew faster outside the UK. While turnover was up 10 per cent in the UK to £166.4m (£151m) it was up 22 per cent in North America at £42.7m (£35m); 40 per cent in Europe at £112m (£79.7m) and 57 per cent in Asia, Pacific and Africa at £68m (£43.3m).

Year end net cash was £27.2m after acquisitions costing £43.6m.

A final dividend of 2.5p makes a total of 4.23p compared to 3.5p. A share split is also proposed.

See Lex

NOTICE TO THE HOLDERS OF
US\$ 200,000,000
9% per cent. Guaranteed Notes due 1996
(the «Notes»)
of
**Electricity Corporation
of New Zealand Finance Limited**
(the «Issuer»)

constituted by a trust deed (the «Principal Trust Deed») dated 25th July, 1989 and made between the Issuer, Electricity Corporation of New Zealand Limited as Guarantor and The Law Debenture Trust Corporation p.l.c. (the «Trustee») as trustee for the holders of the Notes

as amended by a supplemental trust deed (the «First Supplemental Trust Deed», and together with the Principal Trust Deed, the «Trust Deeds») dated 25th January, 1990 and made between the same parties as parties to the Principal Trust Deed

Notice is hereby given to the holders of the Notes that:

- the Trustee was requested that Electricity Corporation of New Zealand Limited, the Issuer's Parent Company, be substituted for the Issuer as principal debtor in respect of the Notes and the Coupons appertaining thereto in accordance with clause 19 of the Trust Deeds;
- the Trustee, having been satisfied as to the fulfillment of the various conditions precedent set out in clause 19 of the Trust Deeds, has agreed to the implementation of the substitution;
- the substitution has been implemented by a Second Supplemental Trust Deed dated 6th March, 1992 made between the Issuer, the Trustee and Electricity Corporation of New Zealand Limited with effect from that date, pursuant to which certain consequential amendments have been made to the Terms and Conditions of the Notes;
- the Notes will remain listed on the Luxembourg Stock Exchange under the name of the Issuer after which there will be a reference to Electricity Corporation of New Zealand Limited; and
- no stamping or exchange of the Notes or Coupons is required as a result of the substitution.

Copies of the Trust Deed and the Second Supplemental Trust Deed are available for inspection at the specified office of each of the Paying Agents named on the reverse of the Notes and the Coupons appertaining thereto.

Dated March 19, 1992
Issued by Kredietbank S.A. Luxembourg
on behalf of The Law Debenture Trust Corporation p.l.c.

SEC filing prices GPA float at \$25

By Roland Rudd

THE PROPOSED maximum offering price for shares in the GPA flotation is \$25 (£14.20p) according to its filing document with the Securities and Exchange Commission in Washington, the US regulator.

Guinness Peat Aviation, the world's biggest aircraft leasing company, was quick to point out yesterday that it was not tied by a price that was simply used to calculate its SEC registration fee of \$93,750.

However, when GPA announces its price range in May, advisers to the group believe it is likely to be below the proposed maximum price of \$25 contained on the front of its document.

That is a view shared by some of GPA's shareholders, which could cause the group some problems as its advisers negotiate terms to prevent them from selling immediately after the secondary sale.

GPA's advisers expect all of the group's existing shareholders to agree to a form of "lock-up" that would allow

them to sell some shares during the offer but not for six to 12 months after the sale.

The Mitsubishi Trust and Banking Corporation, which according to its SEC Form F-1 statement is its largest shareholder with 13.8m shares, is known to be keen to reduce its holding. Air Canada, with 10.3m shares, and Aer Lingus, with 9.9m shares, would also like to sell "at the right price".

But the problem is to determine the right price. Some of their shares were bought for \$32, although the majority were purchased at considerably less. If shareholders do not come to an agreement with the company they forfeit their chance to sell in the secondary offer.

One shareholder which has decided it is not worth waiting is Hanson, the international conglomerate. It yesterday confirmed the sale of its 2 per cent stake of 1.2m shares for \$20.57 a share.

As Hanson put it: "Our banks were not exactly about

Problems of change in residency may arise for Midland/Hongkong Heavier tax likely for combined bank

By Andrew Jack

THE ACQUISITION of Midland Bank by Hongkong & Shanghai Bank may impose substantial additional tax burdens on the combined group, it emerged yesterday.

It is believed that the Inland Revenue is likely to gain additional taxes from the group at the expense of other regimes overseas with lower rates.

Officials at Hongkong Bank were beginning to approach professional advisers and regulators yesterday to discuss the position.

One suggested that the need to consult more widely on tax implications was one of the main reasons for making the offer public, to prevent news leaking out before an announcement was made.

At the heart of the deliberations is the status of HSBC Holdings, a company

established last April which is incorporated in the UK but classified as non-UK resident for tax purposes. This is possible because central control and management of the company rests in Hong Kong.

Subsidiaries of HSBC include Marine Midland, James Capel, the British Bank of the Middle East and Hongkong Bank of Canada and Australia, as well as Hongkong Bank itself.

Midland, currently resident for UK tax, would remain UK resident under the acquisition and become a subsidiary of HSBC. But there are questions over the non-resident status of HSBC as a result of the purchase.

Officials say HSBC was created to give the Hongkong bank a foothold in Europe in preparation for the single European

market. But it also had significant tax advantages. Its status as non-resident means it is liable for Hong Kong profit tax, which stood at 16.5 per cent in 1990, compared with 33 per cent corporation tax currently charged in the UK.

The last published accounts for Hongkong & Shanghai Banking Corporation for the year to December 31 1990 - before the new arrangement was ratified - do not disclose tax liabilities. Those for HSBC Holdings only show liabilities against a Thai branch of the bank. The figures for 1991 are due to be published at the end of this month.

A senior adviser to HSBC said it would be a "naïve conclusion" to assume tax issues had not been thought about in advance of the offer.

Hong Kong optimistic about deal

By Simon Davies in Hong Kong

WITH FOUR years of build-up to HSBC Holdings announcement of proposals to take over Midland Bank, Hong Kong was prepared for the move if not for the timing.

A 107-point shock reaction on the Hang Seng Index was almost entirely reversed on Wednesday and the bulk of the financial community was cautiously favourable towards the decision, which will create a truly international rather than Hong Kong bank.

The fact that the Bank will reveal its inner reserves at least 18 months earlier than had been originally anticipated, was a main factor in the optimism clinging to banking analysts yesterday.

Most brokers estimated the hidden reserves to amount to between \$212m (£1.5m) and \$230m (£1.6m) and this provided significant support for HSBC shares against a back-drop of knee-jerk selling following Tuesday's announcement.

There was an absence of comment from Chinese officials, which was seen as a further boost.

The only official statement came from Beijing, where Mr Zheng Hua, Hongkong's New China News Agency spokes-

man, said "we hope that HSBC's activities will not affect Hong Kong's stability and prosperity".

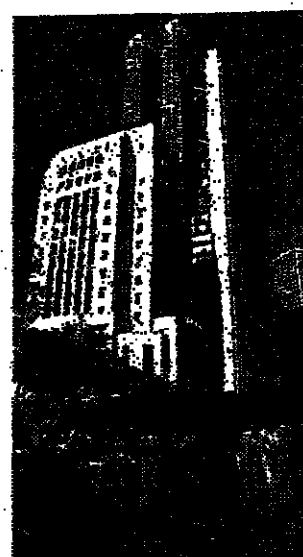
However, there were whispers of discontent from mainland Chinese sources, expressing concern that the resources of the Hong Kong financial sector would be channelled into Europe.

While Mr David Li, the banking community's representative in Legislative Council, expressed surprise that a Hong Kong bank should wish to focus on what he described as a "sunset continent", at a time when so much attention was centred on the booming economies of south-east Asia.

Mr Li, also chief executive of The Bank of East Asia, a local competitor of Hongkong Bank, said a "UK banker" had described the move to him as "just a colonialist going home".

He said the move would not damage the credibility of the financial market. "Hongkong Bank is not that important today," he said.

Mr Chin Pui-chung, a fellow Legislative Councillor, also expressed surprise. "The English groups in Hong Kong always had the advantage, but



Exercises outside the Hongkong Bank building

right now they are no longer better off than the other groups. But they will still find that Hong Kong is the best place to invest," he said.

However, few individuals in the political or financial community took the argument that Hong Kong's quasi-Central

Bank was out to buy a British passport.

The focus was firmly upon the commercial value of the deal. And once fears of a significant cash outlay had been calmed by insiders' assertions that it would be funded through new shares, the chief reaction was relatively positive.

"This is purely a commercial decision," said Mr Barry Yates, director at Asia Equity, "a very positive. Midland Bank has got the greatest recovery potential of all the UK banks".

Despite the impact of a likely increase in issued share capital of more than 40 per cent, a number of analysts suggested the effect would merely be to push back the strong earnings growth of HSBC by one year.

And with the announcement of inner reserves, the Bank would have to disclose full profits for 1992, boosting profit figures for that year. Baring Securities was forecasting a transfer to inner reserves of \$2.67m in 1992. Since this would become part of the disclosed profit figure, earnings per share for the enlarged group could exceed the original forecasts for HSBC.

Call to revoke a restricting rule

HSBC shareholders will be asked to revoke the rule restricting shareholdings in the company to a maximum of 1 per cent if it proceeds with its proposed merger with Midland Bank, writes Simon Davies.

Following the planned share swap, the Kuwaiti Investment Office's 10.2 per cent stake in Midland would make it the largest single shareholder of the enlarged bank - assuming it accepts the proposals while under the existing regulations it would have been forced to sell down its stake.

The 1 per cent restriction is

entwined in Hongkong Bank's history.

It was made part of the Hongkong Bank Ordinance to ensure a wide shareholder base and to protect the institution, Hong Kong's quasi-Central bank, from corporate piracy. But it would significantly complicate the merger/takeover of a bank where no such restrictions apply.

The restriction was written into the articles of association of HSBC Holdings following the restructuring of the banking group in December 1990; but this can be overturned by a ruling from the board of directors.

HSBC sources were adamant it would be put to the shareholders.

The colony's banking commissioner Mr David Carss said "this move would not concern us as supervisors, as it is too low a threshold".

He pointed out that under the existing banking legislation, anyone purchasing stakes in the bank beyond 10 per cent and 50 per cent thresholds would require the permission of the commissioner.

Asia Equity's research director, Mr Barry Yates, described the restriction as "an archaic regulation".

"It is particularly inappropriate for an international bank to have a restrictive limit on share holdings," he said.

"The removal of the restriction would pave the way for stake-building in the enlarged bank, potentially boosting its stock market rating."

And although it might open the company to greater influence from shareholders, the banking group, which still acts as note issuer and manager of bank clearing in Hong Kong, would remain protected from aggressors.

Britannic Assurance ahead 37%

By John Authers

BRITANNIC ASSURANCE, the life assurance group, yesterday announced total net profits for 1991 of £24.7m, an increase of 37 per cent from 1990.

The figures included an exceptional transfer from its industrial life fund of £4.9m. Life business profits excluding this transfer increased 21 per cent to £19.5m.

The transfer, which was made to bring Britannic's bonus payments for industrial branch contracts in line with the bonus structure for its ordinary savings contracts, increased the funds available to shareholders. Britannic therefore paid a final dividend of 30.3p (17.3p) bringing the year-end total to 25.5p, up from 25.3p.

This was slightly ahead of some expectations, and the shares rose against the market trend from 847p to 852p.

However, analysts said that the exceptional transfer was

not solely aimed at maintaining dividends, and that the results pointed to promising underlying strength.

Mr Roman Clavin, insurance analyst at Smith New Court, said: "The really important point to make is that they are already generating significant profit from personal pensions which they sold during the recent boom. There is some genuine growth in these results, based on recent management action."

The total underwriting loss for the general branch was £6.8m, compared with £5.8m in 1990. This included losses on property of £4.96m, and on motors of £1.55m.

Mr Alan Richards, insurance analyst at James Capel, said: "The underwriting loss is 26 per cent of premium income, much in line with the industry average." He was predicting a surplus next year of £24.5m, and a dividend rise to 33.5p.

ASH shares drop on 31% decline

By Jane Fuller

THE share price of Automated Security Holdings, which supplies burglar alarms and other security products, fell from 133p to 102p yesterday - knocking about \$35m off its market value - on disappointing annual results.

Pre-tax profit fell 31 per cent to £23.2m (£38.2m) on turnover of £138.7m (£200m) for the year to November 30. The market was expecting nearer £30m. It was the first profit fall for 18 years.

Earnings per share were 51 per cent down at 11.4p (23.3p) on a higher tax rate of 16 per cent.

Mr Tom Buffett, chairman and chief executive, said the main damage was caused by large systems contracts for nuclear power stations and property developments. This had turned from an £800,000 profit in 1990 to a £2.6m loss.

The group had got involved in long-term contracts for the first time in late 1989 and it had turned out to be a mistake. A £5.5m charge for closing the operation down contributed to a total of £15.2m taken below the line.

Other extraordinary items included £4m of professional

fees for an abortive flotation of a loss prevention division and two halted acquisitions. These costs had been building up over three years. A £2.3m loss was taken on the disposal of a stake in Gardiner Group, another security concern.

In security systems, operating profit slipped to £35.1m (£37.2m) on £119.4m (£120.5m) sales. Loss prevention, including tagging and tele-surveillance, improved to £12m (£10.6m) on £61.9m (£58.9m) sales. ASH planned to integrate the two business segments.

In the UK, where 71 per cent of turnover lay, the streamlining already under way would save between £10m and £12m a year, at an initial cost of £4m.

Net debt stood at £95m in November, giving gearing of 59 per cent. This was counting £60m of convertible capital bonds as equity. After their fall in May, gearing had fallen to 37 per cent. Interest costs were £800,000 down at £18.5m.

The dividend is unchanged at 4.9p after a 2.83p final. It necessitated an £8.18m transfer from reserves.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Acroleic	0.58	May 16	0.58	1.11	1.06
Automated Sec	2.83	June 5	3.1	4.91	4.9
BAT Industries	11.2	June 4	10.4	33.6	31.4
Bovis Lend Lease	4.34	July 6	4.13	22.5	20.5
Britannic Ass	20.3	May 14	17.3	30.4	27.6
British-Somerset	4.4331		2.668	7.1	5.87
British Mohair	0.75	May 28	7.1	6.5	6.5
Clyde Petroleum	0.75	May 8	0.75	1.25	1.25
European Leisure	0.5		0.5		0.7
Lionheart	0.3	July 2	0.3	0.3	
Marley	4.25	July 1	4.25	6.35	6.35
Matheson (B)	2.5	May 8	2.5	4.5	4.5
Maunsell (John)	2.3	Apr 30	2.3	4.95	
Portale	8.8	July 10	8	18.8	18
Rentokil	2.9	Apr 10	2.9	4.23	3.3
RPS	0.6	May 1	1.8	2.4	2.4
Sanderson Murray	71	May 10	10	10	10
Spandax	4.1	July 17	3.75	6	5.5
Steel Barchin	9	May 28	8.25	13.25	12.25
Trade Indemnity	0.1		0.1	1.9	1.9
Try	41	May 22	4	6	6
WSP	1.8	May 29	1.8	2.9	2.9

Dividends shown, pence per share net except where otherwise stated. Equivalent after allowing for scrip issues. 10p Capital increased by rights and/or acquisition issues. \$USM stock, \$ for nine months, \$ for 18 months, \$ for option.

UK COMPANIES NEWS

Cost cutting helps Marley advance 75% to £25m

By Roland Rudd

A REDUCTION in overhead costs helped Marley, the building products manufacturer, report a 75 per cent increase in pre-tax profits, from £14.3m to £25m, for the year to end-December.

Operating profits increased to £27.2m (£25.2m) on turnover down 10 per cent from £685m to £574m.

Mr George Russell, chairman, said a "worldwide blast" against a level of overheads that could not be sustained brought savings of about £30m.

As part of the cost cutting exercise the group yesterday announced the merger of five UK companies - Marley Roof Tiles, Marley Brick, Marley Paving, Marley Transport and Thermolite - into one new group entitled Marley Building Materials.

Provisions totalling £2m in respect of the restructuring, charged as an exceptional item, were offset by surplus provisions and the sale of a collection of paintings.

Extraordinary charges of £5.5m reflected costs and losses associated with the closure and sale of the North American roofing operations.

Plumbing, mouldings and

flooring increased operating profits to £27m (£19.3m) boosted by strong performance in Germany. Marley benefited from the growth of DIY stores in eastern Germany.

From nil at independence there were now 200 DIY stores, a number which could double by the end of the year.

Roofing increased profits to £2.4m (£7.5m) in spite of a fall in sales from £196m to £158m, benefiting from the group's cost cutting exercise. Across the company the workforce was reduced by 1,500 to a total of just under 10,000.

Bricks, blocks and pavers were worst affected by the recession, reporting a £5m loss compared to a £1.5m profit. Automotive components suffered a fall in profits to £1.2m (£1.8m), while property was down at £4.8m (£5.1m). The group also announced the sale of a group of buildings for £6m.

Net borrowings were reduced by £18m to £91.7m, giving a gearing of 41.3 per cent. Mr Russell said the group was well placed to make acquisitions to fit into the growing areas of the business.

Earnings per share rose to 6p

(3.5p). A final dividend of 4.25p gives an unchanged total of 6.35p.

COMMENT

If Marley is proving a recovery stock with turnover down it is not surprising that analysts are predicting further earnings growth as sales increase.

Although last year's figures included an exceptional £7.7m relating to redundancies and business rationalisation, the profit increase was still impressive in the midst of a recession.

Few at the centre were untouched by the cost-cutting programme; the central personnel department was axed and more than half of the 100 employees working at head office lost their jobs. The dividend is barely covered. But it could easily have been if the group chose to be less conservative about its accounting policies and take a £3.5m currency gain below the line instead of through reserves.

With 1992 pre-tax profit forecasts of about £32m, giving earnings per share of 7.6p, the shares are trading on a prospective multiple of 16, indicating that the recovery is already in the price.

Coming clean on spreading waste problem

Richard Gourlay the thinking behind Caird's pioneering environmental audit

NEXT MONTH, Waste Management Inc of Illinois and its 30 subsidiaries, the world's largest refuse collection and treatment group, is to float off part of its international operations in a public sale. The group, built at breakneck speed since 1987 by ex-broker Mr Peter Linacre, is a move eagerly anticipated by UK waste managers who have opened the gates of its management systems which have opened the gates of its management systems which have opened the gates of its management systems.

It is a move eagerly anticipated by UK waste managers who have opened the gates of its management systems which have opened the gates of its management systems.

At the other end of the scale, Caird, one of the newest waste management companies in the UK, is one of a handful of smaller groups preparing this growth which is like spring from a much tighter regulatory environment.

The first task of a smaller company is to up the image of an industry that has long been regarded as dirty and poorly regulated. Having grown at a neck speed in the late 80s,



Caird: the only waste management group to allow public scrutiny of the environmental auditors' unedited report

Last June, for example, two hazardous liquids were accidentally mixed at Caird's Minworth special waste disposal site, creating a gas that exploded, killing one worker.

Caird was in the process of securing Health & Safety Executive approval for modified operating practices when what Mr Linacre called "the tragic accident" occurred. The accident will be reported in this year's audit.

which demonstrates good management practice. Leigh Interests is also developing this approach, as is Caird, which has so far accredited three of its 15 working sites.

Caird's Minworth plant, however, was not BSI 5750 accredited at the time of last year's accident, an event which in turn delayed application for a BSI audit, Mr Linacre says.

By contrast, Biffa - acquired by Severn Trent last year - has neither an external audit nor an environmental advisory board. It says internal teams constantly monitor the organisation but that Biffa is too big to allow an external audit. Within the last month, however, it has appointed a manager to seek BSI 5750 accreditation for its sites.

With the Environmental Protection Act taking a grip and EC legislation slowly catching up with what has long been in place in the UK, the new skills waste management companies are developing are likely to be assets in their own right.

Companies will increasingly need to clean up contaminated land and local authorities are likewise going to need help clearing up rubbish sites. Despite the government's recent decision not to form a register of contaminated land following pressure from the property lobby, waste companies feel it is only a matter of time before this is set up, creating further demand for waste management companies.

For Caird, this contracting-out of services is likely to have begun to feed through to the bottom line when it reports for 1991 today. Pre-tax profits, estimated by brokers to rise 40 per cent to about £7m, are likely to include a sharp increase from the special waste division.

Securicor boosts parcels presence

By Richard Gourlay

SECURICOR Omega Express's purchase on Tuesday of Federal Express's domestic UK parcel delivery business moves the group a small but significant step closer to the Post Office's Parcelforce, the dominant market leader.

The £7.1m acquisition follows Federal Express's decision to withdraw from domestic European delivery services and concentrate on its international express services.

Securicor Omega, a subsidiary of Securicor Services, is buying Federal Express's customer base, which last year had sales of £40m, and its computerised despatch system.

Securicor Omega will not, however, be responsible for any of the 3,400 jobs which are to be lost at Federal Express although the company will be increasing its own workforce by about 400.

The acquisition could add about 3 per cent of the UK £1.6bn parcels market to the 12 per cent Securicor Omega already controls. But it leaves the group a distant second behind Parcelforce, which controls 33 per cent of the market.

The new business will fit directly into Securicor Omega's existing network of 3,700 vehicles run out of 128 locations throughout the country. The company will also buy 250 of Federal Express's 3,000 vehicles.

"We are increasing market share with profitable business and are taking on £40m of business almost overnight," said Mr Roger Wiggs, chief executive of Securicor, which owns 51 per cent of Securicor Services.

Federal Express will retain the right to international collections and delivery inside

the M25 orbital motorway around London. Securicor Omega will also deliver and collect all Federal Express's international parcels to and from destinations outside the M25.

Mr Pat Howes, Securicor Omega chief executive, said that after buying into the UK in 1987, Federal Express failed to gain the critical mass for a nationwide domestic delivery service.

It had rolled out its branch network too quickly in a market that was then hit by recession and the structure of its operations left it with very high overheads.

Most of Federal Express's business was high margin overnight parcel delivery and not the lower margin two day service which currently makes up the majority of Securicor Omega's sales, Mr Wiggs said.

Gateway bus Somerfield

By John Thornhill

Gateway, the grocer chain which forms the bulk of the Isosceles investment, is to convert 13 more stores to its up-market Somerfield trading format by the end of April.

This will bring total number of Somerfields to 27 with a trading area of 210,000 sq ft.

Gateway is also converting three supermarkets to Food Giant format selling a wide range of heavily-weighted lines. This brings a total number of Food G to 18.

Isosceles, which week revealed it was using to float Wellworth, Northern Ireland food retail subsidiary, has been eyeing its new format as an attempt to address what it sees as a segmenting market.

Somerfield is typically trading from 100 sites in market towns targeted at convenience users. Food Giant is aimed at the discount market.

Weak oil price cuts Clyde Petroleum to £3.04m

By David Lascelles, Resources Editor

CLYDE Petroleum reported a sharp fall in pre-tax profits last year because of the weak oil price. However, the independent oil and gas exploration and production company still intends to pursue an expansive exploration policy.

Profits were £3.04m for 1991, down from £9.95m last time, equivalent to earnings of 2p (2.9p) per share. The fall came despite a sharp increase in daily production, from the equivalent of 19,000 barrels of oil a day to 24,000 b/d. But the realised oil price amounted to £11.37 per barrel, compared to £13.42.

The company's proven and probable reserves amounted to 196,774m barrels of oil equivalent, down from 197,289m. Dr Colin Phipps, chairman, said

the company continued to seek new oil sources, mainly in regions outside its traditional North Sea area of operation.

There had been particularly encouraging results from a well off the east coast of the Malaysian peninsula. It was still being tested but appeared to contain several reservoirs of high quality oil.

The group is maintaining its final dividend at 0.75p leaving the total for the year unchanged at 1.25p. It said, however, that there was inevitably a conflict between the need to fund exploration and the requirement to pay dividends.

Because of expanded international activity and the weak oil price, directors said they would review future dividend policy.

Bristol & West up 11% despite bad debt charge

By David Barchard

BRISTOL & WEST, the 10th largest building society, last year increased pre-tax profits by 11 per cent despite the depression in the housing market.

The outcome amounted to £87.4m, up from £80.6m in 1990, though the society had to make a bad debt charge of £24.5m, up from £5.4m. Total group assets rose from £5.64bn to £7.14bn.

During the year the society took over the Chesham, only to discover that its reserves were wiped out by its bad debt, leaving a shortfall of £5m. The merger contributed £382m to total assets, despite the high proportion of bad debt.

The society also incurred a £3.5m loss on its two estate agency chains. Both its lending and savings businesses expanded during the year. The mortgage book

increased from £4.32bn to £5.34bn, with net mortgage advances up from £1.15bn to £1.81bn. Mr Tony FitzSimons, chief executive, said that the society had 5,600 customers in arrears of 12 months or more at the end of 1991, about 3 per cent of its total mortgage customers.

Savings rose sharply, growing from £189m to £436m. The cost-income ratio was up from 50.7 per cent to 53 per cent, but Mr FitzSimons said that the ratio for the building society operations was down from 41.5 per cent to 40 per cent. During the year the society spent £14m on developing its computer systems and £10m on new store developments.

Mr FitzSimons said that the society had turned in a strong performance. "Our balance sheet is absolutely rock solid," he said.

Price war hits Bernard Matthews

By Richard Gourlay

Bernard Matthews, the Norfolk-based meat producer, yesterday reported a 15 per cent fall in profits as a war between chicken manufacturers last year undercut the market for its own ready turkeys.

Pre-tax profits fell from £15.5m to £13.2m on sales marginally down at £148.4m (£150.1m).

Earnings per share fell from 7.99p to 6.95p and the final dividend is held at 2.5p, giving a total of 4.5p for the year.

Mr Bernard Matthews, chairman, said the whole bird and oven ready turkey market had been hit by chicken prices that fell last year to as low as 89p per pound.

The recession had also hit food sales and there was evidence that there had been an overall drop in food consumption.

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Over 2 up to 3	10 3/4	10 3/4	10 3/4
Over 3 up to 4	10 3/4	10 3/4	10 3/4
Over 4 up to 5	10 3/4	10 3/4	10 3/4
Over 5 up to 6	10 3/4	10 3/4	10 3/4
Over 6 up to 7	10 3/4	10 3/4	10 3/4
Over 7 up to 8	10 3/4	10 3/4	10 3/4
Over 8 up to 9	10 3/4	10 3/4	10 3/4
Over 9 up to 10	10 3/4	10 3/4	10 3/4
Over 10 up to 15	10 3/4	10 3/4	10 3/4
Over 15 up to 25	10 3/4	10 3/4	10 3/4
Over 25	10 3/4	10 3/4	10 3/4

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. (2) All instruments of principal. (3) Repayment by half-yearly annuity. (4) Equal half-yearly payments to include principal and interest. (5) With half-yearly payments of interest only.

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MANAGING FINANCIAL RISKS



FINANCIAL FUTURES AND OPTIONS

Thursday March 19 1992

Derivatives are likely to remain among the fastest growing and most profitable financial markets, says Tracy Corrigan, as an increasing number of exchanges compete for business, and more banks develop derivatives units

Europe takes a bigger share

WILL BANKS have been shrinking their loan books and cutting back their trading operations in recent years, the view for futures and options business has gathered pace.

The market in futures and options and other so-called derivative products is at the forefront of technological development in the financial markets, and banks are keen to operate in those areas where higher margins can be charged.

However, innovative instruments are often quickly subsumed into the mainstream. Many products which once earned rich commissions for traders are now widely understood and commonly available, and trade just like bond markets. Indeed, some markets have become so liquid that they tend to drive trading in the underlying cash market, rather than the other way around - for example, the Bund future on the London International Financial Futures Exchange (LIFFE).

But at the other end of the scale, the market in specially-tailored products, designed to suit the specific needs of a corporate treasurer or a fund manager, is also growing. As soon as a financing technique invented by a particular firm is no longer proprietary, derivative specialists start looking for new twists. Banks no longer offer just straightforward options, but a seemingly end-

less variety of products, such as caps and range-forwards, which slightly alter the degree of exposure to different market movements.

The technology used in the derivatives market is often applied throughout a range of underlying products. Swap technology, allowing counterparties to exchange interest-rate and currency flows, is now being applied to the equity and commodity markets.

Futures contracts, once limited to interest-rate products, are being developed on clean air and insurance at the Chicago Board of Trade, the largest US exchange.

The application of some techniques is limited only by investor demand, which has not responded to some of the more outlandish products on offer.

The development of futures markets has also been fuelled by the liberalisation of bond and equity markets in Europe and the Far East, which has opened up new markets for investors and new sources of funds for companies. The emphasis on US markets has shifted as investors focus more keenly on European markets, boosting the market share of futures exchanges outside the US last year to 47 per cent.

Absolute volume continues to grow, however. January was a record month for exchanges and products in both Europe and the US. As well as a steady flow of new products - and

new exchanges - in Europe, other financial markets, such as Latin America, are also set to join the fray.

The shape that futures markets will take is still hard to predict. Talk of links between exchanges, common a few years ago, has faded, although there are signs that cross-listing of products may become more common.

Equally, the automation of exchange-traded business has lagged expectations. The Globex trading system - developed by the Chicago Mercantile Exchange (CME), the CBOT and Reuters - is still being tested, after repeated delays to its start-up schedule.

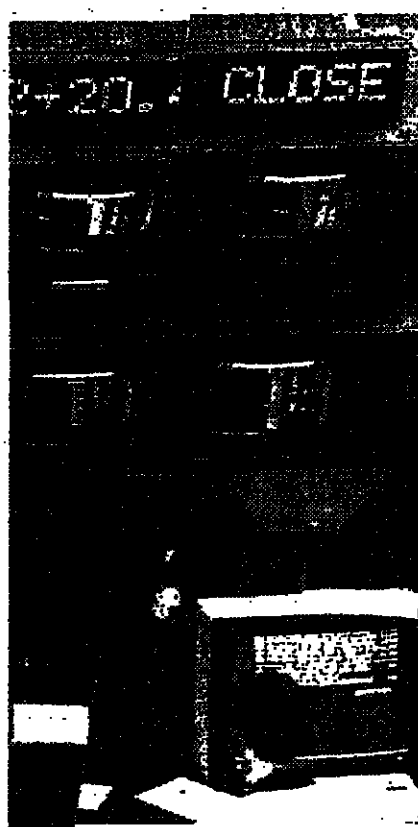
Although some efforts at screen-based trading have been successful, such as the Deutsche Terminbörse in Germany, the world's most actively traded contracts still use the traditional open-outcry system.

The expansion of futures and options markets is expected to be fuelled by growing use of derivatives by investment managers. The managed futures fund industry in the US has grown dramatically in the last few years, and now has about \$20bn under management. There is also increasing interest in managed futures in Japan.

In most parts of Europe, fund managers are less familiar with the attractions of using futures and options than with the potential risks. In the UK, the Securities and Investment Board last year opened the door for unit trusts, offered to retail investors, to use futures, with certain limitations. However, they have shown some resistance to the concept. Of the two funds launched so far, only one was aimed at small retail investors.

But interest among European pension and insurance fund managers is gradually growing, particularly in the use of futures to shift exposure from one market to another, generally a more efficient method of asset allocation than buying and selling in the cash market.

The level of sophistication among European corporate treasurers has generally been quite high (with a few notable exceptions, such as Allied-Lyons which last year lost £150m through its use of



currents).

The of derivative products become almost a prerequisite for larger international companies, because it is no longer acceptable for company movements in the foreign exchange markets.

Derivative markets, both on exchange-traded and the over-the-counter sides of the business, continue to attract an increasing number of participants. Indeed, some non-bank players have also entered the market, benefiting from the drop in credit quality among banks which, particularly in the swap market, can have a negative impact on fees. For example, AIG, a subsidiary of the large insurance company, American International Group, has built up a successful swap business.

Some banks have tackled the issue of credit quality. Last year, Merrill Lynch set up a specially-structured unit with a capital base, called Merrill Lynch Derivative Products,

which gained a triple-A rating. Although other banks have considered that structure, many have fought shy in the belief that the return on capital would be insufficient.

The decline in bank credit quality has left only a handful of triple-A-rated banks. Consequently, the hurdle has dropped to double-A - that is, banks only start to lose business when their rating falls below double-A.

Credit concerns do not appear to have driven clients away from the OTC market to the futures markets, where credit risk is assumed by the exchange.

Meanwhile, banks and broking firms are approaching the derivatives business from many different angles, depending on their own strengths and on their view of the market's future development.

Some firms, such as GNI, have concentrated on developing their expertise in exchange-traded business. Others have developed specialist product units, where highly

complex instruments are tailored to suit clients' needs. One example is Credit Suisse Financial Products, set up two years ago, which has developed a highly-successful client-driven business.

Few firms can claim to offer a fully-comprehensive range of products across the three main areas of interests rates, foreign exchange and equity, and across both exchange-traded and OTC markets. Only a few banks, mainly US investment banks, claim to offer such a spectrum. Swiss Bank Corporation, which early this year took over O'Connor, the Chicago-based options trading firm, is now well positioned to offer strength across the board.

Other banks, however, have grown their derivatives business on a more ad hoc basis, according to the relevant underlying market, so that, for example, equity derivative traders are part of an equities group.

No particular formula has proved the key to success. However, the most profitable

derivatives businesses have generally been the most innovative. Bankers Trust, which has been at the forefront of origination of equity derivatives, is generally cited as the classic example of a highly profitable, highly specialised derivatives house.

The large number of new entrants to the market, including some Japanese firms, is generally welcomed, because new players are seen as providers of liquidity. However, as the market becomes more competitive - and the complexity of hedging risk assumed in the course of OTC business increases - some participants could lose out.

But, while banks may be in for some disappointment, their staff are generally benefiting, particularly in expanding sectors such as equity derivatives. According to a recent survey on futures and options salaries by Jonathan Wren, the recruitment consultancy, the development of the equity derivatives market in 1991 brought "an enormous upswing in salaries."

London exchanges merge

TWO LONDON exchanges will officially merge on Monday, though they have been operating under the same roof since January.

The merger - between the London International Financial Futures Exchange and the London Trade Options Market - is an attempt to revive the UK stock options market.

Far left: close of business on the LTO's last day of trading in the Stock Exchange building. Picture: Ashley Ashwood

Left: Mr Robin Leigh-Pemberton, governor of the Bank of England, opens LIFFE's new trading floor, at Cannon Bridge. Picture: Trevor Humphries

See: European Exchanges, on Page 2 of this survey

ALSO

The US: as once-pre-eminent exchanges fight to retain market share, new ideas may break new ground Page 2

Japan: the derivatives market has been blamed for the current weakness of share prices. The outcome of a review is awaited Page 3

The OTC market: bankers see no significant slow-down in the rate of growth or innovation in the futures and options markets, and point to three main areas of growth Page 3

UK investment management: increasing diversification is encouraging fund managers to look again at the benefits of derivative products, but their conversion will not happen quickly Page 4

US futures funds: even pension funds - the most cautious and finicky of investors - are now putting money into them. But the limits on American exchanges and the need to diversify have driven much managed-fund trading offshore Page 4

Equity and commodity swaps: they are still at an early stage of development, and greater expertise is required Page 4

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FINANCIAL FUTURES AND OPTIONS 2

Tracy Corrigan examines the growing competition in Europe

Small markets stock up

FUTURES business, once dominated by the large US exchanges, is shifting to Europe, reflecting the increasing level of trading in European securities.

But the success of Europe's exchanges is also fostering a more competitive environment, as new exchanges and competing products spring up. While the larger exchanges struggle for dominance of major European markets, smaller ones may find a niche in trading products based on domestic instruments, or by forging links with the larger exchanges.

Three European exchanges are battling for business: the London International Financial Futures Exchange (Liffe); the Marché à Terme International de France (Matif), in Paris; and the Deutsche Terminbörse (DTB), in Frankfurt.

Liffe's most successful contract, the Bund future, has come under threat from a rival contract on the DTB, backed by the German banks. Although the volume of Bund futures traded on Liffe has not fallen, activity in the DTB contract has increased substantially, due to a combination of slashed commissions, a new marketmaking system and daily targets. The DTB's market share in the Bund contract increased from 8 per cent in January 1991 to 29 per cent in January 1992.

The DTB plans further expansion, which could threaten Liffe's strong position in German interest-rate products. As well as an option on the German BOBL (three-and-a-half to five-year bond) future, the exchange is working on a three-month Eurodollar interest rate future. The contract, which has not yet been approved by the board, would be the exchange's first short-term interest rate contract.

The exchange's plans to expand overseas - currently stymied by regulatory problems - indicate that it will not limit its sights to domestic business. The exchange is also discussing the creation of futures and options contracts on a pan-European stock index (two attempts so far have flopped: Liffe's Eurotrack and the European Options Exchange's Eurotop contracts).

Meanwhile, Liffe has lost a battle, if not the war, over Ecu-bond futures trading. A rival contract on the Matif, launched six months earlier, traded 110,000 contracts in January, compared with a mere 4,000 Ecu bond contracts traded on Liffe, despite the launch of a new marketmaking system.

Roger Barton, managing director in charge of business development at Liffe, admits that it will be "a long hard slog" to win back Ecu business. But he points out that the marketmaking system is providing two-way prices at a tight spread.

The fact remains that the contract is barely traded, and many dealers use alternative instruments for hedging: either cash bonds, such as the UK 10-year Ecu bond, or a proxy such as the Bund future.

While the failure of the Ecu contract has proved a setback,

(Orob), which opened for business last year, has made a strong start.

Currently the exchange trades only six individual stock options on Austrian shares, but an option on the Austrian Traded Index, made up of 18 shares traded on the Vienna stock exchange, will be launched in May or June, and a synthetic government bond future is planned for later this year.

The Belgian Futures and Options Exchange (Belfox) made a rather disappointing debut at the end of last year, with a Belgian government bond future contract. But options on six Belgian stocks and futures and options on its BEL-20 Belgian Stock Index are planned for later this year.

Spain's two exchanges are now trading under one holding company, Mercado de Futuros Financieros (Meff), but are still

As the exchanges in London, Frankfurt and Paris compete for business, Liffe has lost a battle, if not the war, over Ecu-bond futures trading. A rival contract on the Matif, launched six months earlier, traded 110,000 contracts in January, compared with a mere 4,000 Ecu bond contracts traded on Liffe, despite the launch of a new marketmaking system

the success of Liffe's Italian bond future contract, launched last September, has exceeded all expectations. The contract fends off competition from a rival contract on the Matif, also launched in September. In January, only one contract was traded on the Matif, compared with 142,000 on Liffe.

However, a further challenge is on the way from the Italian authorities. In June, they plan to launch a screen-based bond futures trading system, which will be added on to their existing cash market trading system. There is still some scepticism about the Italians' ability to meet that deadline, although development of the clearing and trading systems is now under way.

Meanwhile, smaller European markets are also developing their own exchanges, which will soon be stocked with derivatives on a range of domestic instruments. In Vienna, the Österreichische Termin und Optionbörse

based in both Madrid (equity products) and Barcelona (interest rate products). Meff in Madrid recently started trading futures and options contracts on a new index of Spanish stocks, the Ibor 35, and plans to launch individual stock option contracts later this year.

Meanwhile, the Swedish exchange, OM, with operations in Stockholm and London, is in discussions with other exchanges such as the European Options Exchange (EOE) about cross-listing of products (including its Swedish stock options and stock index products).

Such linkage may be a way forward for other smaller exchanges seeking to expand.

In the UK, the merger of Liffe and the London Trade Options Market (LTOM) officially takes place next Monday, but the two exchanges have in fact been operating under the same roof since January. The merger is an attempt to

revive the UK stock options market, which had been languishing under the wing of the stock exchange. The prospects for one key product, options on the FT-SE 100 index, are excellent. The FT-SE options pit has already benefited from its proximity to the futures pit in the new exchange, and from a surge of interest created by the merger. After the merger, in addition to economies of scale, traders will be able to match their futures and options positions.

But Liffe's Mr Barton admits that the "significant growth" expected in FT-SE option volume is unlikely to be matched in individual stock option trading. "We are looking for steady growth over the next six to 12 months," he said.

However, the signs are not encouraging. Liffe has a bare minimum of marketmakers in individual stock options, and most houses say they will be concentrating their efforts on index products, which are used increasingly by fund managers for asset allocation and hedging purposes.

The row over the future of stock options trading, which delayed the merger, could erupt again. The large UK banks, active in stock trading in the cash market, favoured a shift to screen-based trading, while smaller firms held out for the continuation of pit trading.

Although Liffe resisted pressure from the larger houses to move to a screen-based system, an automated system is being developed for possible use later.

"We took the view that the merged market should make that decision," said Mr Barton. "The board of the merged market will decide if and when to move to an automated system."

However, the system will not be ready for another year, so the market will, in theory, have some time to find its feet, unless members push for an early decision on the issue. Some optimists still believe that Liffe's marketing flair, combined with growing interest in derivative products among fund managers, may produce a sufficient surge in volume to save the stock options market in its present form.

Bara Durr sees US exchanges' share of world trading shrink

New products to hold the line

US COMMODITIES exchanges, once present in the world futures market, are fighting to stem the loss of their world market share. Futures trading has spread globally and foreign exchanges have blossomed. American markets have seen a decline of trading volume.

Last year, US exchanges captured just 10 per cent of world trading, down from 38.9 per cent in 1987, according to figures from the Futures Industry Association.

American exchanges cornered virtually all the volume. "That's not a lot of room to manoeuvre," said Les Mouchier, chief of the Chicago Board of Trade's products committee and vice-chairman of the exchange.

US exchanges' slide was to be expected. The inevitable result of growth of futures - a product they themselves encouraged.

But they are determined to hold the line against greater loss with a flood of new and innovative products and the introduction of on-line electronic trading.

At the Chicago Board of Trade (CBOT), the largest US exchange of the industry's most new products are in the insurance and pension futures.

Although sceptical about their development and regulatory hurdles have been many, the exchange is still launching property casualty (better known as owners' insurance) and health insurance futures.

Pollution futures, or air futures as the CBOT is to call them, will be the pollution permits issued by the US government under provision of the 1990 Clean Air Act. Industries can trade these permits in order to avoid how they comply with law's new standards. Futures are likely to be launched in early 1993, when the first auction of permits takes place.

These two ideas may bring new ground for the future industry, but their success by no means assured. Roughly only one in four futures contracts succeeds, and unfortunately for the CBOT, it has had its share of flops lately.

The most significant of these failures are the three-year and five-year swap futures, launched with a fanfare last year. This was the first straightforward attempt by an exchange to attract off-exchange business in products similar to futures. The increase in off-exchange derivatives trading is cited, along with foreign competition, as a barrier to more trading on US exchanges.

But CBOT officials say that swap dealers are boycotting the contracts because they perceive them as directly competitive. The exchange argues they are not substitutes for swaps, and faults itself for not having marketed the contracts better.

The Chicago Mercantile Exchange (CME), where volume rose by 5 per cent last year, has in contrast been on a roll. It has already launched two interesting new products this year: futures and futures options on the Standard & Poor's MidCap Index, and non-dollar settled Deutsche Mark/ yen cross-rate futures and futures-options.

It also is planning to expand

Futures and options volume: the top 10 exchanges (contracts traded)			
	1990	1991	Change
Chicago Board of Trade	164,227,618	189,437,298	(8.58)
Chicago Mercantile Exchange	102,388,233	108,128,616	(4.9)
New York Mercantile Exchange	42,458,651	40,786,714	(3.94)
London International Financial Futures Exchange	34,169,529	38,583,877	12.92
Matif (Paris)	28,056,573	37,129,032	32.34
Osaka Securities Exchange	22,778,790	33,478,949	46.99
BM&F (Brazil)	9,675,196	19,027,057	92.68
London Metal Exchange	13,362,954	16,937,909	26.85
Tokyo Stock Exchange	21,623,288	16,601,899	(23.22)
Tokyo International Financial Futures Exchange	14,450,989	15,152,954	4.86

Source: Futures Industry Association

Performance of asset classes: annual return (%)				
Year	US stocks	Bonds	International stocks	Managed futures
1980	32.13	9.06	22.55	78.35
1981	-4.91	7.28	-2.27	11.03
1982	21.11	31.10	-1.85	10.40
1983	22.37	7.99	23.69	0.43
1984	6.11	15.02	7.39	21.22
1985	32.03	21.30	56.17	20.33
1986	18.55	15.82	69.45	-0.81
1987	5.23	2.29	24.84	60.07
1988	16.52	7.59	28.26	11.75
1989	31.52	14.23	10.55	4.79
1990	-3.18	8.29	-23.13	16.35
1991	30.57	16.13	12.13	11.5
Average	17.36	12.48	18.94	29.53

US stocks: S&P 500 index (dividends reinvested); Bonds: Shiller's Lehman Government Corporate Bonds Index (lower case year with coupons reinvested); International stocks: Morgan Stanley Europe, Australia and Far East (EAFE) Index; Managed futures: M&F Dollar-weighted CTA Index; *Based on monthly data on an annualised basis.

Source: Managed Futures Association

its equity index offerings with contracts on the FT-SE 100, Eurotrack 100 and Eurotrack 200, and the Russell 2000 index of small capitalisation shares.

It is looking, too, at contracts in European and EuroDeutsche Marks. While it is not breaking entirely fresh ground, it is having greater success building on

its product base in equities, short-term interest rates and currencies.

If there is a cloud over the CME, it is Globex, the after-hours electronic trading system. Conceived by the CME, Globex is being developed with Reuters and the CBOT.

Once heralded as the key to

internationalisation of the futures markets, Globex has suffered three years of delays and is beginning to look more like an adjunct to that process - and perhaps not even the most technologically advanced one. Recent trials are said to have gone well, but start-up plans are still uncertain.

The New York Mercantile Exchange (Nymex) may indeed beat Globex with its Access system, using technology from AT&T. Given the global and round-the-clock nature of the oil business, Nymex's Access may stand a better chance of success in drawing in new international business than Globex will for Chicago.

Nymex has also recently begun trading with modest success a seat in crude contract of special interest to far east traders.

While 1991 was a bad year for US futures markets - over all trading volume dipped for the first time since 1988 - American options exchanges fared no better. In the two largest markets, the Chicago Board Options Exchange (CBOE) and the American Stock Exchange (Amex), volume dipped 6 per cent and 4.7 per cent respectively.

The good news for the US futures and options markets is that 1992 is off to a flying start, with volume increases all round. This comes as an especially welcome development for options exchanges which have seen slippage since 1987.

The CBOE has churned up substantial interest in its long-term options (LEAPs), both for the S&P 500 and 500 indices and for individual stock options. It also has FT-SE products coming up, as close to agreement on the Russell 2000 index, and is discussing the possibility of a Mexican market index.

At present, some 15 per cent of CBOE's trading volume is from foreign investors, and it hopes that more foreign-based contracts, while largely for domestic consumption, could increase that business.

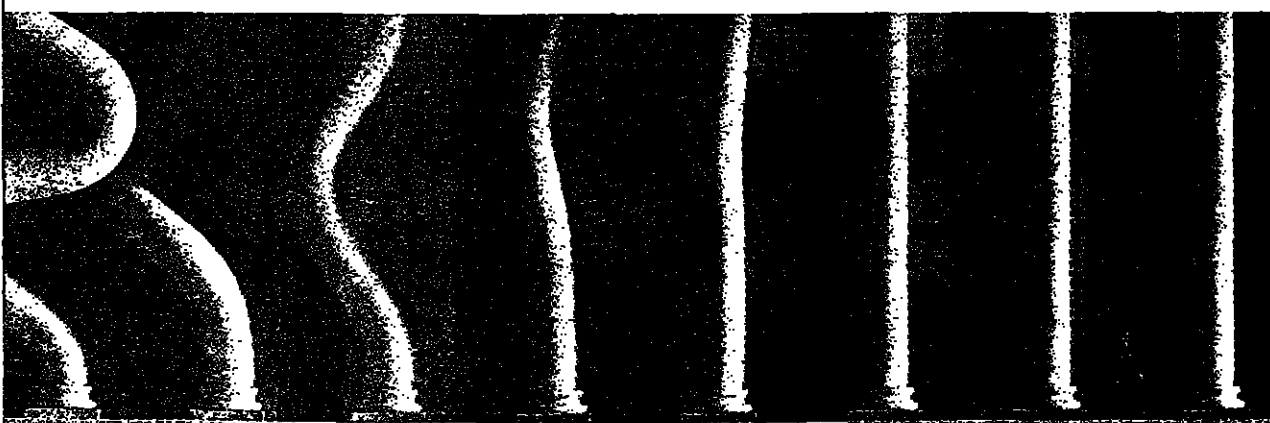
The Amex has led US options exchanges in listing foreign equity derivatives, such as warrants on the Nikkei stock index, the FT-SE and France's CAC-40.

It has also just launched the first US warrant on the British pound. The new derivatives have given the Amex some trading dynamism, but it hopes that the fresh interest in traditional options shown by investors since last October will continue.

Both the CBOE and the Amex say investors return to options after they had begun listing multiply-traded (that is, traded in two or more markets) options at the end of last October.

They are also benefiting from the surge of money into equities since a drop in interest rates lessened the appeal of fixed income instruments. Each of the exchanges is also working on a bio-tech index.

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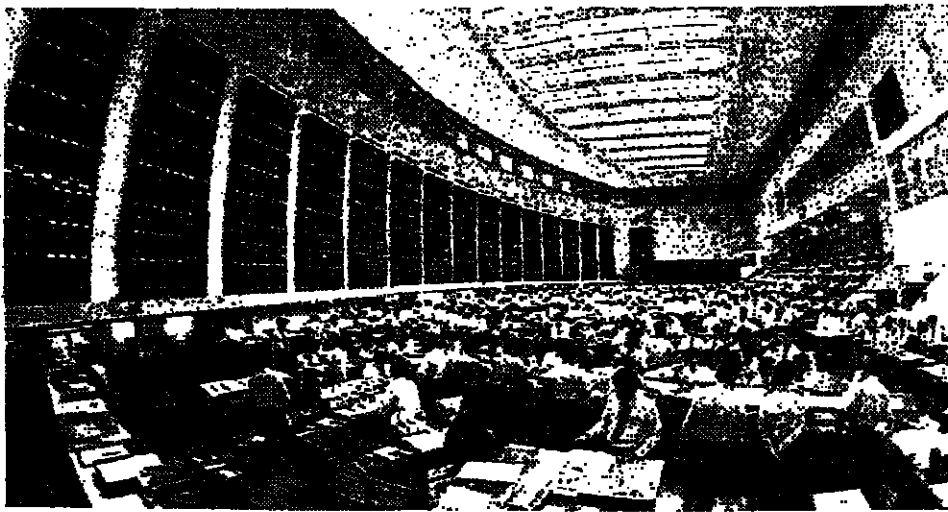
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FINANCIAL FUTURES AND OPTIONS 3

A cloud hangs over derivatives in Japan, reports Emiko Terazono

Fears of new restrictions



The Osaka Stock Exchange took steps to enhance the transparency of the derivatives market

INVESTORS IN Japan's stock futures are awaiting the outcome of the authorities' review of the effects of derivatives trading on the underlying cash stock market.

The Tokyo and Osaka stock exchanges have blamed the derivatives market for the current weakness of Japanese share prices. Moves to tighten restrictions in the futures and options markets have prompted criticism from many participants, who see a threat to these markets' further growth.

The Nikkei 225 futures contract, which was listed on the Osaka Securities Exchange (OSE), has become one of the largest stock futures markets in the world. Last year, turnover in the Nikkei 225 futures trading was 35 per cent up on the previous year, at ¥38,729.9bn (\$4,142bn).

In contrast, trading in the underlying cash market, listed on the Tokyo Stock Exchange (TSE), has been hurt by deteriorating investor confidence. Last year, activity on the first section of the TSE fell 39 per cent to a nine-year low of ¥107,108bn.

The Nikkei index, which reached a high of 36,915.87 in late 1989, has plunged over 45 per cent as higher interest rates have squeezed speculation out of the market. Last year's stock market scandals, involving Japanese brokers

who had favoured larger corporate clients by compensating them for trading losses, have also shaken individuals, and the cash market is in its third year of weakness.

"Price fluctuations in the futures markets are reflected in the cash market through arbitrage, profiting from the price differences between cash and futures markets. Stock exchange officials blame the abnormal surge in derivatives trading and speculative price movements on the futures markets for intimidating individual investors."

"We have no proof that trading on the futures market has adverse effects on the cash market, but if additional restrictions are going to alleviate the fears of the individual investor, the futures market has to be sacrificed," says Mr Takao Tsutsui, executive governor of the OSE.

The TSE increased margin rates for arbitrage trading three times last year, to curb activity. Last month, the OSE implemented emergency measures to enhance the transparency of the futures and options market by disclosing trading of futures and options by brokers. The OSE also shortened the trading hours of the futures market, and the exercise of option contracts, also blamed for creating volatility, will be moved from the current once a week to once a month with the

June contract.

Frustration over derivatives trading has been heightened by the deteriorating earnings of Japanese brokers against large increases in profits at foreign houses, which booked profits due to their expertise in derivatives trading.

Smaller Japanese brokers have also pointed to larger brokers, who have increased their presence in the futures and options markets. "The concept of profiting from dealing rather than from broking is still seen as a sin," points out one analyst.

The popularity of the OSE's Nikkei futures has also led to tensions between the two exchanges. Trading in the Nikkei 225 futures index accounted for 56.2 per cent of trading revenue earned by the OSE, while futures trading in Tokyo on the TSE's Tonic index only accounted for 2.6 per cent of its trading income. Thanks to futures trading, the OSE managed to make a profit for the interim period to last September, while the TSE, hurt by the sharp fall in trading volume, fell into the red.

Mr Atsushi Saito, executive managing director of Nomura Securities, is critical of "speculation" in the futures markets. "A futures market cannot exist without the underlying cash market. The stock market's initial purpose is for companies to raise funds, not speculation."

he adds. However, Mr Kiyoshi Nikami, researcher at Japan Securities Research Institute, points out it was originally the brokerages and corporations which drove investors from the cash market.

"The cash market's appeal to

investors has deteriorated due to focus on the underwriting business by brokerages and the equity financing frenzy by companies," observes Mr Nikami.

Apart from the decline in liquidity in the cash market, investors are attracted to the

futures and options market as derivatives offer an exposure to the equity market at lower costs due to lower commissions and tax-saving benefits.

The OSE and TSE have started to tighten the grip on derivatives trading, and are still working on further long- and short-term reforms. The two exchanges have announced that, from next Monday, they will double commissions for futures and options trading - the first increase of futures and options contracts in Japan.

There is speculation in the market that Tokyo could impose a ceiling on brokers' arbitrage positions, and place tighter limits on price movements on illiquid stocks of the Nikkei 225. Critics of futures trading point out the volatility can be created by manipulating the price movements of illiquid shares within the price-based Nikkei 225 average.

Meanwhile, derivatives traders claim that adverse feeling against derivatives trading is driving business to offshore markets such as the Singapore International Monetary Exchange (Simex) and the Chicago Mercantile Exchange, where Nikkei 225 futures are traded.

"If derivatives traders see an opportunity on a price basis, they will move to that market," says Mr Alex Woodthorpe, derivatives analyst at

SG Warburg Securities. With margins for futures contracts higher on the OSE, an increasing number of investors are moving to Simex, which is in the same time zone.

The Simex Nikkei futures contract, launched in 1986, was the first futures contract on the Japanese stock market. Trading volume on the Simex has been boosted by the OSE's listing of its Nikkei futures. Daily volume, which average 3,045 contracts last year, surged to 6,789 contracts in February.

Starting with the June contract, the last trading day and final settlement price of the Simex Nikkei futures will be made identical to the OSE Nikkei futures contracts. Simex will also list Nikkei stock options from today.

Traders point out that the Simex Nikkei contract offers more liquidity, because it is traded on open bidding and offering on the trading floor, as opposed to OSE's screen-based trading.

Japanese regulators are already concerned about the trading outflow. Mr Mitsuo Sato, TSE vice-president, says that a "level playing field" is necessary, and adds that, if trading on offshore markets undermines investor confidence in Japan, the TSE and the OSE will request implementation of similar trading rules to overseas exchanges.

THE \$150m treasury loss incurred by Allied Lyons last year, through its involvement in the options market, had a dramatic impact on corporate attitudes towards derivative financial instruments.

However, while the episode made companies look hard at their treasury operations, bankers argue that there has been no significant slow-down in the rate of growth or innovation in the futures and options markets.

They point to three main areas of growth:

■ New buyers are coming into the market as the price of interest-rate and currency-hedging products falls to the point where it is efficient for smaller companies to buy complex hedging products. Competition among banks offering over-the-counter derivatives has intensified.

"Margins have come down to the point that they can not fall any further," commented Peter Hajas, head of interest-rate derivatives at SBC/O'Connor.

He estimated the price of simple sterling or dollar inter-

Simon London finds conflicting attitudes towards the OTC market

Banks take expansive view

est-rate products, such as caps and floors, had fallen to just 25-30 per cent of the levels seen at the end of the 1980s. ■ Banks are offering existing products in a wider range of currencies. Demand has grown for interest-rate hedging products in European currencies such as the lire and the peseta, while hedging tools such as forward contracts and options are now available in a range of smaller currencies.

National Westminster Bank, for example, plans to make a forward market in currencies from Korean won to Indonesian rupiah by early summer. By the year end, it hopes to be offering options on these currencies.

■ New products are being developed which offer existing customers new ways to hedge currency and interest-rate

exposures. Within the interest-rate derivatives market, there is growth in products which allow buyers to manage previously inseparable risks.

For example, in buying an "index swap", an investment manager might agree to pay the bank Deutsche Mark interest rates in return for a payment linked to US dollar interest rates. This is clearly an interest-rate hedge based on the expectation of falling German interest rates and rising US interest rates. However, the whole transaction is denominated in dollars, separating out the risk of an appreciation in the D-Mark.

Within the options market, developments include drop-out or barrier options. These offer a conventional option on a currency or market at an

agreed strike price, but the contract dissolves if the market moves too far away from the strike price.

The product can be offered at a lower price than a conventional option, because the bank's exposure is easier to hedge. On this basis, it is favoured by fund managers or treasurers with a strong view on the direction of markets.

Another development is "tender-to-contract" options, which allow a company to hedge a potential currency exposure when tendering for a large contract. This works something like an option-on-an-option, but tries to take into account the probability of the company's actually winning the contract.

The biggest draw-back on these types of instrument is that the bank writing the

option or swap can find it difficult to hedge its own exposure. This cost is inevitably passed through to the company buying the hedge.

Another product being aggressively marketed by a number of banks is the "average rate" option, on which the prevailing market rate is determined by a sampling process through the life of the instrument - rather than by simply taking the price on exercise date.

The idea is that the option will reflect the buyers' foreign-exchange or interest-rate exposures, rather than taking an unrepresentative "snap-shot" on a single date.

But while bankers are keen to parade the latest examples of futures and options-based financial engineering, corporate treasurers are showing a

desire to return to basics.

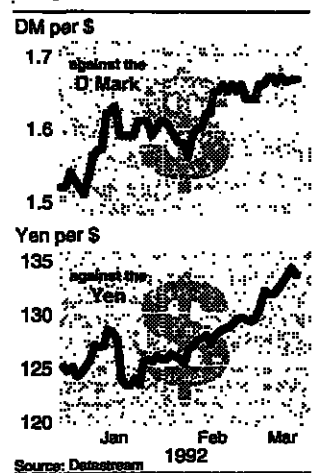
"There has been a reversion to a more fundamentalist attitude to treasury management," commented Derek Ross, head of treasury management consultancy at Touche Ross. "There is a growing awareness that every level of complexity adds to the cost of financial products."

For example, big companies with large, core foreign-exchange exposures have started to use "dynamic currency hedging" in preference to over-the-counter (OTC) options.

Dynamic currency hedging involves the active management of a physical currency portfolio, to "synthesise" currency options. The core of the system is a computer-trading model, which automatically buys and sell currencies according to day-to-day exchange rate movements.

For example, a UK company needing to hedge a dollar exposure would buy dollars as the US currency depreciated against sterling, and sell dollars as the US currency appreciated, according to a pre-set formula.

The Dollar



Source: Deutscher

While the theory is simple, setting up a sophisticated dynamic currency-hedging system can be expensive, up to 1/2 per cent of the exposure being hedged. There are also cumulative costs in the day-to-day trading of the currency portfolio - although initial fees are reduced if the trading is chan-


nelled through the same bank which sells the system.

Nick Goulding, head of derivatives at National Westminster Bank, estimated that dynamic currency hedging was efficient only for companies with a core foreign exchange exposure in excess of £50m.

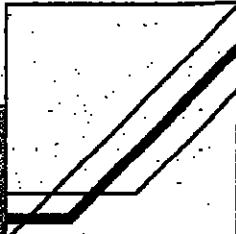
However, big banks, including NatWest itself, already use dynamic currency hedging techniques in place of OTC options. Blue-chip companies are following suit.

The technique is popular in the management of "translation exposures", which arise from the translation of foreign currency earnings back into a base currency for accounting purposes.

Dynamic hedging is least efficient in liquid currencies, because the cost of the alternatives - including OTC options - is less. However, simplified forms of the technique are being used without a huge investment in systems to manage exposures in "exotic" currencies, where OTC hedging products are only available at a high cost.



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FINANCIAL FUTURES AND OPTIONS 4

UK fund managers are looking again at derivatives, says Tracy Corrigan

Diversification is the spur

UK INVESTMENT managers have been slow to turn to futures and options markets, preferring to rely on traditional skills such as stock-picking.

Although their portfolios continue to be dominated by UK shares, increasing diversification is encouraging fund managers to look again at the benefits of derivative products.

Banks are addressing, with some vigour, the task of converting UK investment managers, a largely untapped investor base.

Some barriers have been removed. Most important, fund managers' tax position was clarified in the 1990 budget. "Taxation is no longer an issue," according to Mr Clive Gilchrist, chairman of the National Association of Pension Fund's Investment Committee.

There has been progress on other issues, such as performance measurement. A recent set of recommendations for the reporting of financial futures and options in investment portfolios, published by the London International Financial Futures Exchange and Bacon & Woodrow, the actuaries, is expected to create an industry standard for the first time.

These guidelines should also help fund managers to clear another hurdle: trustee approval. But once trustees are satisfied that the use of derivative products is judicious, trust deeds may still need to be altered.

There are less tangible obstacles. Many analysts believe the structure of the fund management industry has not favoured the development of derivative strategies. A fund manager's performance is generally measured against other fund managers' or against an index.

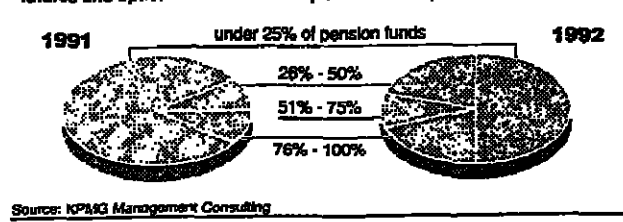
"The fear of doing worse than their competitors is generally stronger than the desire to do better," according to one derivative specialist, who believes the greatest catalyst for change will be an extremely strong performance by fund managers using derivatives.

For most fund managers, derivatives are an investment tool and not a distinct asset class. This use of derivative products falls under the concept of efficient portfolio management, under Securities and Investment Board rules.

While futures and options

Use of futures and options by UK pension fund management groups

There has been a significant increase in fund managers' use of futures and options. Five out of 10 of the pension fund managers surveyed now use futures and options in more than a quarter of their pension funds.



Source: KPMG Management Consulting



Clive Gilchrist: tax not an issue



Alan Wren: launches planned

can be used for a variety of purposes - to hedge exposure (for example, to reduce potential losses on a cash holding of stocks) or to pick stocks - it is the application of derivative techniques to asset allocation that has captured the attention of UK fund managers.

The opening of many more foreign markets and the increasing level of international trading is causing a change in fund management techniques. Many fund managers have found that traditional skills of stock-picking are less relevant than the identification of broader market trends - for example, the difference in performance between US stocks and Japanese stocks tends to be far greater than between ICI and Hanson shares.

However, to buy and sell large holdings of stocks or bonds can be both time-consuming and expensive. It is often cheaper and more efficient to shift exposure by, for example, buying FT-SE index future contracts and holding a cash deposit, so creating a synthetic equity asset.

The growing use of derivative products by fund management groups is still limited largely to institutional funds. According

to a new survey by KPMG Management Consulting, five out of 10 top pension fund organisations use futures and options in more than 25 per cent of their funds - a substantial increase on last year, when eight out of the 10 funds surveyed used futures and options in only 25 per cent or less of funds managed.

In addition, the way has now been cleared for retail investors to buy unit trusts which use futures and options. Last July, the Securities and Investments Board opened the door for authorised unit trusts to invest in futures and options through two new types of fund: futures and options funds (FOFs) and geared futures and options funds (GFOFs). FOFs can invest up to 10 per cent of their assets in derivative products, while 20 per cent of assets in GFOFs can be in futures and options which do not have to be covered.

So far, only two companies have taken advantage of the new rules and launched funds, although about 10 are believed to be awaiting authorisation.

The first funds, launched by John Govett, have so far made sales of over £30m through financial intermediaries. However, these funds are targeted

at "the top end of the UK market", according to director Adam Parkin.

The only genuine retail product launched to date has been Legal & General's UK Tactical Allocation Trust, which has raised around £5m so far. Prudential, which cancelled earlier plans to launch FOFs, due to adverse reaction, is "still working towards the launch of one or more derivative-based funds" according to Mr Alan Wren, managing director.

So far these funds are available only in the UK. But the Joint Exchanges Committee is lobbying to have the UCITS directive extended, so that such funds are given an EC passport. Such a move is still some way off, however.

Meanwhile, another branch of the industry is developing: offshore futures funds. Unlike the pension fund industry, managed futures funds treat derivative products as a distinct asset class, often using quantitative techniques.

The industry had experienced massive growth in the US during the 1980s, to around \$20bn. A budding European offshore futures fund industry is estimated to have reached only \$2bn. Moreover, most of the actual investment management is still done out of the US, where experts known as CTAs (commodity trading advisers) are based. However, some specialist firms, such as Rudolf Wolff and Sabre, are fostering home-grown talent. Some large banks, including Citibank, are also marketing managed futures in Europe.

A gradual shift is under way in the UK fund management industry. Some very large institutions, including Prudential, the British Rail pension fund and Postel, openly declare their use of derivative products.

Some fund managers believe that economic conditions will create an added impetus. They suggest that fund managers have been spelt by high returns in recent years and that, with returns set to fall, the argument for using derivative products to enhance returns will become more compelling.

However, conversion of UK fund managers, who still hold the vast bulk of their assets in UK stocks, will not be a speedy process.

MANAGED FUTURES funds used to be seen as exotic, high-risk ventures, for either the brave or the foolish. But the amount of money flowing into managed futures - into public funds, private pools or individual accounts - has mushroomed in the past few years.

Even pension funds, the most cautious and finicky of investors, are now putting money into them.

Morton Baratz, editor of Managed Accounts Reports, a newsletter that tracks the managed futures industry, estimates that assets in managed futures worldwide have shot up from just \$4bn in 1988 to \$21bn today.

From 1980 through 1990, the average annual compounded growth rate was about 35 per cent for managed futures. And despite considerably slower growth last year, a poor year for many markets, many in the futures industry expect that managed futures will eventually be to commodity what mutual funds are to equities - a vast, deep ocean of money.

The most explosive growth in managed futures occurred after the 1987 crash, as investors became wary about equities. Also, in the last 18 months, the decline in US interest rates has spurred many to consider managed futures who would never have looked at them before.

American pension funds, for example, which must contend with strict regulations as to how they invest, have begun to dabble in managed futures. While the names and amounts of most of these investments are not known publicly, industry experts guess that between \$1bn and \$1.5bn of pension fund money is in managed futures.

Mr Baratz estimates that a third of the \$21bn now in managed futures is from foreign sources, though he says precise numbers are difficult to establish. Many foreign institutional investors, particularly from Japan, have placed money in the hands of American com-

modities trading advisers (CTAs), the professional managers of commodity funds. According to Jane Martin, executive director of the Managed Futures Association, Japanese and European investors are likely to provide managed funds' next biggest burst of growth.

Overall, investors appear to be changing their attitude towards managed futures. "There are more institutions, both foreign and domestic, looking to add futures to their portfolios than I've ever seen before," said Frank Fusatari, senior vice-president for investment at Prudential Bache in New York.

The advent of guaranteed funds, in which capital is secure, has helped to overcome the old barrier of horror about commodities markets, notes Peter Matthews, chief portfolio strategist at Mint Investment Management, which has some \$900m under management.

AFTER a decade of dynamic growth, the global swaps market stands at \$3,000bn, according to estimates by the International Swap Dealers Association. The application of existing technology to new markets is set to fuel further expansion in the 1990s.

Most existing swap agreements are exchanges of interest-rate or currency flows, allowing corporate treasurers to match assets and liabilities, to hedge exposure, or to reduce the cost of borrowing. The technology is now being used to create commodity swaps and equity swaps. While both these sectors still account for only a small portion of the global market, both have engaged a new breed of swap-market participants.

While corporate treasurers are vulnerable to sharp movements of currencies and interest rates, fund managers are equally affected by equity market movements, and businesses that require large quantities of commodities suffer if commodity prices rise.

For banks already involved in the swaps market, the new client base is an attractive one. Interest-rate and currency swaps have become actively traded, and, as competition among banks has increased, margins have shrunk dramatically.

As they are still at an early stage of development, greater expertise is required in the equity and commodity swap markets - partly because the risk assumed by banks is more difficult to hedge - and consequently higher fees can be charged.

In fact, the concept of the equity swap appears so far to have inspired bankers more than fund managers. However, there are signs that the idea is starting to take hold, particularly in the US. Several aspects of equity swaps, such as their appeal for US fund managers.

First, it is an easy way of investing in foreign markets without assuming currency risk, which US fund managers, unlike their European counterparts, often prefer to avoid, or at least to separate. Second, many US fund managers like the idea of being able to transfer expertise in one class of asset to another.

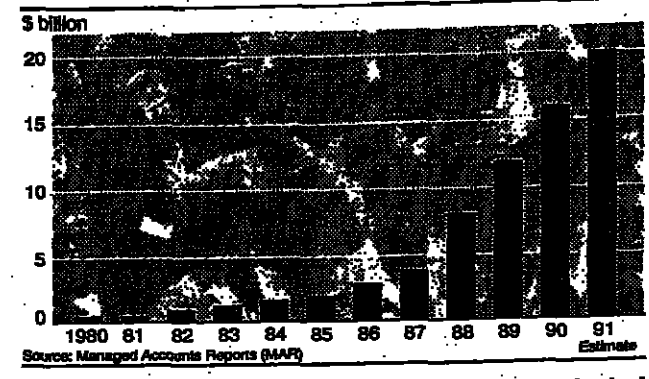
An equity swap simulates the performance of an equity index. It can be used as an alternative to futures and options for hedging. But it is most attractive to fund managers, whose target is to outperform an index.

In an equity swap, the fund manager receives a stream of payments which replicate the return of a direct investment in an equity index, and in exchange makes a stream of payments to the bank based on, usually, the London inter-bank offered rate. The precise structure of the transaction is tailored to suit the investment

US managed funds

Talent capsized by money wave

Growth of managed futures



Source: Managed Accounts Reports (MAR)

modality trading advisers (CTAs), the professional managers of commodity funds. According to Jane Martin, executive director of the Managed Futures Association, Japanese and European investors are likely to provide managed funds' next biggest burst of growth.

Overall, investors appear to be changing their attitude towards managed futures. "There are more institutions, both foreign and domestic, looking to add futures to their portfolios than I've ever seen before," said Frank Fusatari, senior vice-president for investment at Prudential Bache in New York.

The advent of guaranteed funds, in which capital is secure, has helped to overcome the old barrier of horror about commodities markets, notes Peter Matthews, chief portfolio strategist at Mint Investment Management, which has some \$900m under management.

CTAs have also emphasised to potential clients that they should take a long-term view rather than a get-rich-quick stance. Most institutions would be happy with returns of about 15 per cent a year. "A 40 per cent to 50 per cent return would probably scare them off," said Mr Fusatari.

Like venture capital and international stocks, "we are going through a period of acceptance," observes Robert Easton, president of Commodities Corp, which has about \$1bn under management. Yet the recent tide of money into managed futures funds is already presenting them with serious capacity problems. And this may slow down their growth.

In the US, speculative position limits inhibit the ability of large traders in many markets, particularly in agriculture, where huge sums have been made in the past. Often, too, there is insufficient liquidity to

absorb the large quantities that funds trade.

The limits on American exchanges and the need for diversification have driven substantial amounts of managed-fund trading offshore. CTAs, including some of the largest, have estimated that between 20 per cent and 70 per cent of their trading is in non-US markets. One top CTA credits trading abroad for his superior returns, compared with those who trade mostly in the US.

"Our preference would be trading in the US, but we'll go where the liquidity is," said Kenneth Tropin, president of J.W. Henry, which has about \$50m under management, and chairman of the Managed Futures Association (MFA).

There is also concern that the wave of money coming into managed futures is overwhelming the current pool of trading talent. There seems to be a limit to how much an individual can handle, and some CTAs have simply closed their doors to new clients or restricted how much more money they will accept.

US futures exchanges are working with the MFA to win approval from the Commodity Futures Trading Commission, the industry regulator, to lift position limits and prohibit trading on trading certain contracts. The exchanges are also seeking approval to change their rules to favour large order executions and provide average prices for large orders. Such steps "are helpful developments" says Mr Easton.

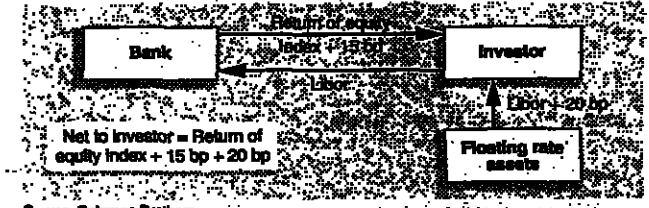
Exchange officials and many CTAs in the US complain that the regulatory restrictions inhibit the growth of American markets, and place them on an uneven playing field with their foreign competitors. They are pressing for change, without which the growth of managed futures is likely to be less stunning than predicted.

Barbara Durr

Equity and commodity swaps

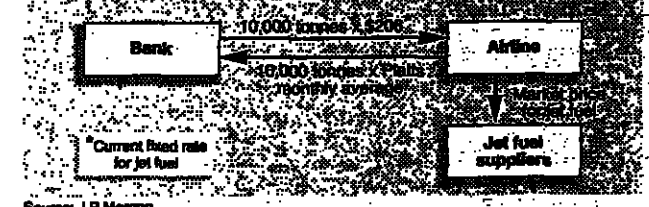
Techniques find new markets

How an equity swap works



Source: Salomon Brothers

How a commodity swap works



Source: J.P. Morgan

manager's needs.

An equity swap combined with core holdings can increase a fund manager's ability to enhance returns. But there are deterrents. While swaps, unlike futures, can run for up to 10 years, the element of credit risk is greater. Although payments are normally made every three months to reduce exposure, credit considerations can be an issue. However, there is no exchange of principal, so exposure is relatively limited.

In the UK, fund managers are fighting shy of the concept, partly because of uncertainty about the tax treatment of equity swaps. Since no such uncertainty now exists for index futures and options, many fund managers prefer to stick to this more travelled route.

Although the market has been in existence for about five years, estimates of the amount of outstanding equity-swap agreements are difficult to gauge. The market is not developing in isolation, but in conjunction with the surge of business in equity derivatives, currently one of the most profitable financial markets. Equity swaps are being offered alongside an increasingly diverse range of products.

At the same time, activity in exchange-traded futures and options has advanced strongly. The commodity swaps market, on the other hand, offers hedging opportunities where little or no alternative exists. Partly for this reason, the market is experiencing a healthy growth rate. The size of the commodity swaps market had grown, according to estimates,

from \$3bn in 1988 to \$10bn before Iraq's invasion of Kuwait in 1990, and is now believed to total \$60bn.

The largest portion of the market - as much as 80 per cent - is made up of oil-related transactions, partly a result of the volatility of the oil market. "The Gulf war is the best thing that ever happened to the commodity swaps market," said one trader.

The extreme volatility of oil prices during the Gulf crisis appears to have brought about a change in attitude among oil consumers, which extensive marketing by banks had failed to achieve. Many companies, which had viewed derivative instruments of speculative tools, were convinced (at the cost of substantial financial losses in many cases) that, as

banks had long argued, it was often a more speculative position not to hedge exposure and so to bear the full risk of any market movements.

In a commodity swap, a company receives a cash flow pegged to a commodity index or price. Transportation companies, mainly airlines, have led the field. British Airways and KLM have been active in the market since the late 1980s, while US airlines have been slower to participate, fearing that the market could move in favour of unhedged competitors.

Activity in the swaps market has been boosted also by the realisation that basis risk in the futures market is high. Since only a few exchange-traded oil futures contracts exist, many contracts provide imperfect hedges. For example, there is no jet-fuel contract, so a proxy, such as gasoline, has to be used. Jet fuel has historically traded at \$25 per ton more than gasoline, with a high in early 1989 of \$50. During the Gulf crisis, the spread ballooned to an average of \$65 and a high of \$126. As well as oil swaps, there are commodity-swap markets in gas and also in metals, including copper, aluminium and zinc. Agricultural commodities account for only a tiny portion of business.

While the ultimate level of activity in various sectors of the swap market is hard to predict, the shift in attitude which has sparked demand for a broader range of instruments is clearly visible.

"It is no longer acceptable for companies to attribute poor performance or results to commodity price movements," according to Katharine MacWilliams, head of commodity swaps at First Chicago. Increasing competition within their own industry - whether fund management, transportation or manufacturing - is likely to provide the greatest catalyst for change.

Tracy Corrigan

There is a limited number of exhibition space available at the conference.

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Mr Jonathan R Davie BZW Equities	Mr John R C Young The Securities and Futures Authority
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INTERNATIONAL SECURITIES MARKETS

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 • Market capitalization shown to the left.
 • Estimated price-to-earnings ratios to the right.
 • And, where possible, are updated.
 • Distribution basis, earnings per share.
 • Including exceptional profits/losses.
 • Are based on mid-price, are presented of declared distribution and
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 • Shares, along with the percentage
 • of closing share price. The NAVs are
 • convertibles converted and value.

Increased dividend yield and
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Forecast dividend yield and
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Attention switches to the yen

THE DOLLAR ended little changed, against the D-mark, and appeared to be entering a consolidative phase, as dealers switched their attention to the yen, writes Neil Buckley.

Demand for the Japanese currency dominated trading. Dealers said this could be no more than a desire to realise profits on short yen positions.

It may also have been a response to plans for an emergency economic recovery package announced by the Japanese government, which might remove the need for further interest rate cuts beyond the one the market is already expecting.

A Japanese news agency said the Bank of Japan was expected to hold an extraordinary meeting shortly to decide on a discount rate cut, which could be as large as 75 basis points. Such a cut has already been discounted by the market, and the report had little impact.

The lack of dollar buying after encouraging housing starts figures on Tuesday made some dealers believe it has entered a corrective stage.

The US currency closed down at ¥132.05/100 from a ¥132.15/100 start and a ¥133.38/43 Asian close. Against the D-mark, it was at DM1.6500/100, from DM1.6535/45.

IN NEW YORK

	Mar 18	Mar 19	Mar 20
6.25p	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
1 month	0.94-0.95	0.94-0.95	0.94-0.95
3 months	0.94-0.95	0.94-0.95	0.94-0.95
12 months	0.94-0.95	0.94-0.95	0.94-0.95

Forward premiums and discounts apply to the US dollar.

	Mar 18	Mar 19	Mar 20
9.30 am	90.0	90.0	90.0
10.00 am	90.0	90.0	90.0
11.00 am	90.0	90.0	90.0
12.00 pm	90.0	90.0	90.0
1.00 pm	90.0	90.0	90.0
2.00 pm	90.0	90.0	90.0
3.00 pm	90.0	90.0	90.0
4.00 pm	90.0	90.0	90.0

CURRENCY MOVEMENTS

	Mar 18	Mar 19	Mar 20
Sterling	91.9	91.9	91.9
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

CURRENCY RATES

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

OTHER CURRENCIES

	Mar 18	Mar 19	Mar 20
Argentine	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Brazil	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Colombia	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Costa Rica	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Cuba	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Dominican Republic	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Ecuador	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
El Salvador	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Guatemala	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Honduras	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Nicaragua	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Panama	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Paraguay	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Peru	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Puerto Rico	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Uruguay	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310
Venezuela	1.7305-1.7315	1.7305-1.7310	1.7305-1.7310

MONEY MARKETS

Polls cause jitters

TWO opinion polls showing the opposition Labour party with a five-point lead over the Conservatives made the UK money market nervous once more, with rates firming across the spectrum.

The market did draw a little consolation from a 0.4 per cent rise in retail sales, fueling hopes that consumer spending may be starting to recover. But this did not stop rates firming again to levels more appropriate to a 10 per cent base rate than 10 1/2 per cent.

All interbank rates climbed, with the three-month up 1/4 to

UK clearing bank base lending rate 10.5 per cent, 1991

10 1/2 per cent, the six-month up 1/4 to 10 1/2 per cent, and the one-year up 1/4 to 11 1/2 per cent.

The June sterling contract opened 16 basis points down at 89.13 and slid away to 89.08.

The Bank of England did its best to sustain confidence and keep trading rates within a realistic degree of 10 1/2 per cent by relieving the market of a large slice of longer-dated bills in early assistance.

It forecast a shortage of around £500m, but a large part of this was covered in early operations as the market seized the opportunity to

unload £572m of bank and treasury bills in bands 3 and 4. The latest opinion polls had underlined the risk of carrying longer paper, and the Bank's price of 10 1/2 per cent for band 3 and 10 1/2 per cent for band 4 was better than anything that could be obtained in the market.

Overnight rates dropped from 10 1/2-10 3/4 per cent to 10 1/4-10 1/2 per cent, and eased again after midday, when the Bank purchased £350m band 1 bank bills at 10 1/2 per cent, taking out most of the remaining shortage.

This was later revised upwards to £1bn, while the Bank purchased a further £100m band 1 bank bills to take the day's assistance to £1.022m.

Overnight rates fell away to 7 1/2 per cent, reflecting the apparent excess on operations.

In Germany, the Bundesbank's injection of DM1.2bn via its weekly securities repurchase was seen as a technical move offsetting quarterly tax payments, and gave no signal about the likely outcome of today's Bundesbank council meeting.

Despite some speculation in the currency markets that the council might tighten monetary policy, dealers said they could see no reason for such a move. German call money was steady at 9.50 per cent, with demand and supply in balance.

Mr Michael Feeny, a senior dealer at Sunnington Bank, said: "The US economy has now turned, production is picking up, housing activity is up, but the market has already priced in the recovery. That means we may see no new highs for a while."

He said he expected to see the dollar consolidating for a week or two, before pushing towards DM1.70.

President F.W. de Klerk's resounding victory in the South African referendum on political reform gave a very strong boost to the financial rand, which closed against the dollar at R3.7280, from a previous close of R3.9510.

Dealers said the result would increase foreign investors' confidence in South Africa, and predicted further near-term gains for the rand.

The D-mark was mixed against the EMS currencies, as

the markets shrugged off faint rumours that the Bundesbank might raise interest rates today, arising partly from the news that Mr Helmut Kohl, the chancellor, was to attend its council meeting.

Despite one rumour that the reason for this was that Mr Kohl wanted to dissuade the bank from a rate increase, most dealers felt such a rise was extremely unlikely.

The D-mark was stronger against sterling, which closed down at DM2.8550/100 from DM2.8610/100 on Tuesday. Sterling fell at the opening after two opinion polls gave the opposition Labour party a five-point lead over the Conservatives in the UK election race, but remained around its effective ERM floor, with some buying interest at that level keeping it underpinned.

Against the dollar, sterling weakened to \$1.7290, from a previous \$1.7340.

RMS EUROPEAN CURRENCY UNIT RATES

	Mar 18	Mar 19	Mar 20
Spanish Peseta	133.531	129.189	129.189
Portuguese Escudo	204.832	204.832	204.832
Irish Punt	2.70625	2.70625	2.70625
Italian Lira	1.936	1.936	1.936
French Franc	6.55957	6.55957	6.55957
Belgian Franc	20.3363	20.3363	20.3363
Dutch Guilder	3.76033	3.76033	3.76033
Yen	163.602	163.602	163.602
Yuan	1.65354	1.65354	1.65354
Yen	1.65354	1.65354	1.65354
Yuan	1.65354	1.65354	1.65354

POUND SPOT - FORWARD AGAINST THE POUND

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

EURO-CURRENCY INTEREST RATES

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

EXCHANGE CROSS RATES

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

FT LONDON INTERBANK FIXING

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

MONEY RATES

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

LONDON MONEY RATES

	Mar 18	Mar 19	Mar 20
US Dollar	91.9	91.9	91.9
Canadian Dollar	91.9	91.9	91.9
Australian Dollar	91.9	91.9	91.9
Japanese Yen	91.9	91.9	91.9
D-Mark	91.9	91.9	91.9
French Franc	91.9	91.9	91.9
Italian Lira	91.9	91.9	91.9
Spanish Peseta	91.9	91.9	91.9
Portuguese Escudo	91.9	91.9	91.9
Swiss Franc	91.9	91.9	91.9
Belgian Franc	91.9	91.9	91.9
Dutch Guilder	91.9	91.9	91.9
Irish Punt	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9
Yen	91.9	91.9	91.9
Yuan	91.9	91.9	91.9

TREASURY BILLS AND BONDS

	Mar 18	Mar 19
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WORLD STOCK MARKETS

[illegible][illegible][illegible][illegible]

	1992				
	Mar	Apr	May	Jun	
CANADA					
TORONTO					
Meat & Poultry	2968.3	2943.3	2965.0	3002.5	3238.87 (A11)
Toronto Composite and Markets	3409.84	3474.34	3475.79	3479.84	3466.00 (A11)
Montreal	3409.84	3474.34	3475.79	3479.84	3466.00 (A11)
WORLD					
1992					
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TOKYO - Most Active Stocks					
Wednesday 18 March 1992					
Stocks	Closing	Change	Stocks	Closing	Change
Traded	Price	on day	Traded	Price	on day
Nippon Steel	27.2m	298	Marubeni Estate	8.8m	958
Fuyo Yokohama	11.2m	1,000	Sanyo-Kokusaku	9.5m	535
Toyota Motor	10.1m	1,300	Mitsubishi	6.7m	1,040
Mitsubishi Heavy	8.3m	570	Aonuma Bank	6.6m	960
Shimizu Bank	7.7m	110	NGN Spark Plug	6.5m	782

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Vimmelskafet 42A, 5th Floor,
DK-1161 Copenhagen K.
Tel 33 13 44 41

Data source: Chief Executives in Europe 1990

FT SURVEYS

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May 5 1992.
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DK-1161 Copenhagen K.
Tel 33 13 44 41

Data source: Chief Executives in Europe 1990

FT SURVEYS

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**A central
topic.**

At the heart of our
successful philosophy is
the decentralized manage-
ment system.

VIAG

AKTIENGESellschaft

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D-5300 Bonn 1
Telefax: (2 28) 5 52-21 22

Continued on next page

NASDAQ NATIONAL MARKET

Div.	P/E	52 Wk. High	Low	Last	Change	Stock	Div.	P/E	52 Wk. High	Low	Last	Change	Stock	Div.	P/E	52 Wk. High	Low	Last	Change	Stock	Div.	P/E	52 Wk. High	Low	Last	Change	Stock								
WDC Corp.	25	146	33	367	20	+	Dyn Corp.	35	85	4	64	4	+	Land Farm	0.12	15	173	11	104	10	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+	Int'l Corp.	1.00	17	105	104	38	+	
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WDC Corp.	0.18	68	77	76	15	+	Dyn Corp.	14	1436	145	14	+	Land Farm	21	640	133	133	104	104	+	Int'l Corp.	1.00	17	105	104	38	+								

3:00 pm prices March 1

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Data source: Captains of Industry
1991/MORI

Data source: Captains of Industry
1991/MORI

AMERICA

Dow recovers after programme trading

Wall Street

WALL STREET dithered yesterday morning, with equities trading in a narrow range at mid-session, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial Average was up 4.02 at 3,260.06 in unexceptional volume. The slim movement in US equity markets was also registered by the broadly-based Standard & Poor's 500, which was off 0.72 at 408.85 at 1 pm. On Tuesday, the Dow added 18.68 to 3,256.04.

In the absence of any significant economic news, computer-driven programmes dominated trading yesterday morning, pushing the Dow down about 8 points at midday.

Shares in NBD fell \$1 to \$28.75 after the Detroit-based banking group said it would acquire INB Financial, a large Indiana-based bank, in a \$876m stock swap. Each INB share will be swapped for 1.6 shares of NBD. Shares in NBD soared \$7 to \$43 in active over-the-counter trading.

Also in the secondary market, class A shares of Chambers Development plummeted \$19.4 to \$11.1 after the company revised its 1991 earnings to 3 cents a share from previ-

ously reported 83 cents to reflect a change in accounting. Chambers also predicted 1992 earnings of about 48 cents a share, sharply below analysts' earlier expectations of about \$1.05.

Although analysts said that other waste management companies had already addressed the problems which are starting to affect Chambers, shares in a number of waste management companies fell. Waste Management was the most active NYSE stock of the morning, tumbling \$2 to \$40.7. Browning Ferris, the second biggest US waste manager, edged \$1.50 lower to \$25.75. Chemical Waste Management eased \$1 to \$20.

Trading was also heavy in Blockbuster Entertainment, which firmed \$4 to \$14 after Kemper Securities started coverage of the stock with an aggressive "buy" rating.

Shares in Federal Express tumbled \$3.75 to \$51.12 after Moody's, the US ratings agency, said it was reviewing the company for a possible downgrade.

The stock had added \$2 on Tuesday after the US express package delivery company revealed details of a big retrenchment of its loss-making European operations.

A&P, the west coast supermarket chain, climbed \$3.75 to \$33. Although A&P yesterday unveiled a sharp decline in fourth quarter earnings to 42 cents a share from 83 cents a year earlier, the company said that pressure on its profit margins had eased from the third quarter.

A number of blue chip issues saw heavy trading including American Telephone & Telegraph, up \$1 to \$39.75, Chrysler, off \$1 to \$17.75, and Citicorp, unchanged at \$17.75.

Secondary stocks were stronger than big board issues at midday when the Nasdaq composite was 1.29 higher at \$34.55. High-tech stocks continued to dominate Nasdaq trading yesterday morning, with Sun Microsystems down \$1.75 to \$31, Microsoft off \$1 to \$127.75, and Dell Computer \$1.50 lower at \$38.

Canada

TORONTO stocks remained flat in listless trade at midday. The TSE 300 composite index fell 2.1 to 3,437.7. Advances edged down by 23 to 205 in volume of 19.8m shares valued at C\$170.2m. Early stability in the Canadian dollar after several sessions of volatility and a mixed bond market kept equity trading quiet.

Singapore ignores favourable prospects

Domestic brokers shrug off any good news as an aberration, writes Victor Mallet

Most investors in these troubled times would be happy to put money into the stock market of a country where the economy is predicted to grow at between 4 and 6 per cent this year and where brokers are forecasting average corporate earnings growth of around 15 per cent.

Not so the glum speculators of Singapore. Ignoring the underlying strength of their own economy and the sparkling stock market performance on Wall Street and in Hong Kong, they fear a repeat of the 1985-86 south-east Asian recession and have marked down the local stock exchange accordingly.

Foreign investors have been forced to follow suit. Yesterday the Straits Times Industrial Index slipped 3.52 to 1,441.84 for a fall of 3.3 per cent since the start of the year, in characteristically dull trading.

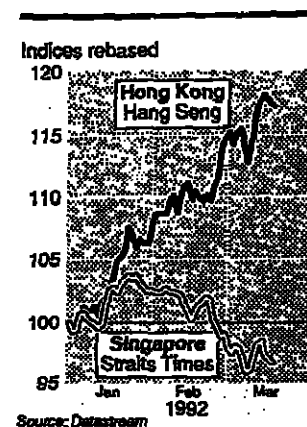
Any hint of bad news has the Singapore Chinese punters nodding as if to say: "I told you

so." Good news is shrugged off as an aberration: when DBS Bank announced 1991 profits at the higher end of expectations this month, the share price promptly fell. Even Sembawang Shipyard's 38.5 per cent increase in net earnings for last year has failed to lift the gloom.

"These are strange times," says one foreign broker, who thinks the real economic prospects are relatively rosy. "We have seen the market take fright over the economic outlook."

A local Chinese stockbroker explains that investors remain nervous about the effects of the world slowdown on Singapore's trade-dependent economy, and are more interested in the Tokyo market's poor performance - and Japan's financial scandals - than in Wall Street.

Furthermore, he complains, over-regulation by the Singapore authorities has driven away some of the speculators



Indices rebased
Source: Datastream

who once enlivened the exchange.

Growth prospects in Singapore's maturing domestic economy, and the fact that the island are not those listed on the exchange, but the wholly-owned foreign enterprises on the industrial estates. "In the

domestic corporate sector, there is a lot of capital facing too few opportunities," says another broker, "and rightly so. They are cautious about overseas expansion."

Singapore may be dull, but few analysts think it has far to fall. The market is on a historically low prospective 1992 price/earnings ratio of about 15 times, local interest rates are low, liquidity is plentiful, and most large companies are not highly geared.

The Stock Exchange of Singapore, meanwhile, hopes that turnover will be increased by the gradual introduction of paperless electronic trading, by the advent of stock options later this year, and by this week's allocation of S\$350 million to seven foreign stock-broking companies, known as international members. Mr Kok Kar Wing, SES executive vice-president, says: "Ours is predominantly a retail market, but gradually the institutional share is growing."

SES officials intend to make Singapore a regional share trading centre: 10 Hong Kong shares and, for the first time, an Indonesian Depository Receipt - for the tycoon Gadjah Munggal - are already quoted on the central limit order book (Clob) system.

So are 113 Malaysian stocks, because much of the stock is held and traded in Singapore in spite of the split between the Kuala Lumpur and Singapore stock markets three years ago. Malaysia has announced plans to go paperless, which threatens to take business away from Singapore, but the SES and the brokers are hoping to devise a way round the problem.

"I do not think the market in Malaysian shares will disappear," says Mr Kok. "We will find a way round the Malaysian thing," agrees the Chinese broker. At least it gives everyone something to think about until the market recovers.

EUROPE

Bourses focus on special situations in mixed trade

INDIVIDUAL stocks featured in mixed trading yesterday, writes Our Markets Staff.

PARIS was dominated by special situations. The CAC-40 index fell 15.41 to 1,928.18 in turnover of FF2.54bn.

Pechiney International jumped FF7.60 or 4 per cent to FF198.80 in heavy volume of 765,600 shares after getting the green light to sell its aluminium activities to its parent, leaving it with the more profitable packaging side. Dealers were surprised that the shares reacted so strongly, since the restructuring had been widely expected. Investment certificates in the parent fell FF6 to FF327 with 65,250 units traded. CMB, another packaging group, fell 90 centimes to FF198.90 with 125,000 shares traded. Some analysts expect investors to switch out of CMB into Pechiney International.

Perrier fell FF3.63 or 3.9 per cent to FF154.55 with 64,650 shares traded. There were rumours that the Agnelli group and Nestlé had done a deal to resolve the struggle for the mineral water company, whereby Nestlé would pay FF1.575 per share to the Agnelli group, giving it a capital gain, and in return, Nestlé's bid would be unopposed. Euro Disney is due to replace Perrier in the CAC-40 index by today.

FRANKFURT gave up some of its early gains to close with the DAX index 2.11 higher at 1,732.18, after an intraday high of 1,737.77 and a 2.18 gain to 704.45 for the FAZ at mid-session. Turnover eased from DM4.4bn to DM4.3bn.

Company news moved shares both ways. BMW rose DM4.50 to DM53.50 on expectations of a 10 per cent rise in net profit when it reports today. Schering dropped DM7.50 to DM64.10 on news that Japan might shelve plans to legalise the pill. Schering ran sixth in the active stocks list in turnover of DM205m. Asko came 10th as it rose DM25 to DM770

on Tuesday's story that profits could treble between 1990 and 1995.

AMSTERDAM again focused on Heineken as it reached another record high, closing up FI 4.80 or 2.6 per cent at FI 186.00. The CBS Tendency index rose just 0.2 to 126.5. Since reporting better-than-expected 1991 earnings nearly two weeks ago, Heineken has gained over 11 per cent. Investors have taken confidence from the results and signs that the company's performance in 1992 will be even better. Groisch was pulled along by Heineken to close up FI 1.00 at FI 297.00.

Elsevier also recorded a new high, gaining 20 cents to FI 117.70 ahead of tomorrow's 1991 results. VNF Stork slipped back 80 cents to FI 44.40 after reporting a modest rise in 1991 net profit.

LIJ closed higher but dealers wondered if the bourse could hold on to its new-found strength. The Comit index rose 6.81 or 1.4 per cent to 510.09 in turnover estimated at L\$5bn after L\$6bn.

CI, the holding company of Mr Carlo De Benedetti, rose L\$8 or 3.5 per cent to L\$1.73 following news earlier this week that the group had raised L\$2bn by selling a stake in a German automotive parts company.

Reliable rose L\$90 to L\$5.90 after reporting 1991 results, in line with expectations. Italgas recovered from a drop earlier in the week on disappointing 1991 figures, closing up L\$9 to L\$41.8. Some analysts say they

were downgrading their 1992 forecasts, citing margin pressure and increased debt levels.

ZURICH saw slightly higher profits and a rise in dividend, but no stock split at Brown Boveri, whose bearers rose SF70 to SF73.60 and gave the market a firm tone as the all-share SPI index closed 3.2 higher at 1,137.7.

STOCKHOLM majored on Tuesday's Wall Street gains and steady profits from Asea, co-owner with Brown Boveri of the international operating company, ABB. The Affärsvärden General index rose 13.3 to 1,002.5 as Asea B climbed SKR12 to SKR12.3.

The forestry index closed 3.9 per cent higher, with Stora B. up SKR14 to SKR289, on US recovery hopes.

MADRID weakened ahead of today's holiday. The general index closed down 0.67 at 2,585.55 in turnover of some Pt1.2bn against Pt1.08bn.

OSLO rallied with the all-share index closing up 8.07 or 1.9 per cent to 432.45 in turnover of Nkr438.62m. Norsk Hydro put on Nkr4.5 to Nkr149.5 while Saga Petroleum free shares closed Nkr10 higher at Nkr98.00.

ISTANBUL was boosted by a cash inflow from bond maturity repayments and the 75-share index closed up 128.05 or 3.4 per cent at 3,859.15 in turnover of TL235.8bn. VİENNA's ATX index rose 11.72 to 1,032.35 after a 1.5 per cent gain on Tuesday with Maculan, the construction, real estate and building materials group, up another Sch40 to Sch1.275.

ASIA PACIFIC

Nikkei average falls to new five-year low

Tokyo

The Nikkei average fell to a new five-year low yesterday as selling by corporations and financial institutions continued to depress share prices, writes Emilio Terazono in Tokyo.

The 225-issue average shed 153.32 to 19,764.31, while the Topix index of all first section stocks registered a decline of 26.09 to 1,407.78, falling for the 13th consecutive day, its longest losing streak since 1983.

After opening at the day's high of 19,878.14, the Nikkei fell to the session's low of 19,490.53 on broad-based selling by institutional and individual investors, and on arbitrage unwinding.

Volume expanded to 400m shares from 350m, as life insurance companies were seen gross-trading to realise profits ahead of the March book-closing. Declining issues overwhelmed those advancing by 840 to 185, while 124 stocks were unchanged.

A total of 454 shares, or 37 per cent of all the shares listed on the first section, fell to new lows since the start of last year.

An announcement that the government had scheduled talks on measures to stimulate the economy failed to lift the market's negative sentiment.

Market participants are now looking for shares to bottom out. More optimistic analysts believe the next support for the Nikkei lies around 19,600, its one-year moving average.

Mr Ross Purdie at S.G. Warburg Securities said that while some market participants did not see any support until more optimistic analysts believe the next support for the Nikkei lies around 19,600, its one-year moving average.

Foreign pension funds were seen purchasing low-priced blue chips related to the automobile industry. The slight recovery in automobile

demand in the US encouraged investors. Honda Motor moved up Y30 to Y1,490 and Nissan Motor firmed Y1 to Y30.

In contrast, large-capital stocks, which investors see as "benchmark stocks", lost more ground. Nippon Steel slipped Y6 to Y296, falling below Y300 for the first time since July 1986. NKK lost Y15 to Y266 and Kawasaki Steel retreated Y11 to Y292.

Issues previously active on the Aids and environment themes weakened on meeting profit-taking. Okamoto, the leading condom maker, fell Y70 to Y1,130 and Japan Storage Battery Y40 to Y1,170.

Financial shares were lower as companies continued to liquidate holdings. Industrial Bank of Japan dropped Y210 to Y2,310 and Mitsubishi Bank fell Y110 to Y3,200.

Brokerage issues declined on earnings concern. After the market closed, leading houses announced downward earnings revisions for the current year. Nomura Securities receded Y10 to Y1,120 and Yamaichi Securities dipped Y5 to Y730.

In Osaka, the OSE average

finished 433.50 lower at 20,914.37 following a record volume of 614.7m shares.

Roundup

THE CONTINUED weakness of Tokyo weighed on bourses on the Pacific Rim.

HONG KONG recovered after falling more than 100 points to an intraday low of 4,938 as investors switched out of HSBC following Tuesday's announcement that it was to buy Midland Bank, of the UK.

HSBC Holdings fell HK\$3.00 or 6.6 per cent to HK\$42.25, while the Hang Seng index finished a net 9.32 down at 5,036.07 in turnover of HK\$3.4bn, against HK\$2.2bn.

Bargain hunting drove the market up after the early falls and other blue chips gained. Hang Seng Bank put on 75 cents or 1.7 per cent to HK\$44.00 and Bank of East Asia moved forward 90 cents to HK\$22.00.

Property group Cheung Kong forecast to report a strong increase in 1991 profits next week, advanced 50 cents or 2.2 per cent to HK\$23.10.

TAIWAN fell as failure by the ruling National Party to resolve an internal dispute over democratic reform continued to depress sentiment.

The weighted index lost 38.37 to 4,851.95 in turnover of T\$24.4bn, after T\$29.2bn.

MANILA recovered lost ground as Philippine Long Distance Telephone (PLDT) and Philippine National Bank (PNB) were in better form after two consecutive days of falls.

The composite index rallied 18.26 to 1,101.27 in turnover of 118m pesos.

PNB rose 11 pesos to 280 pesos, and PLDT gained 20 pesos to 870 pesos.

KUALA LUMPUR ended the day above the 600 level, the first time since March 2. The composite index put on 5.91 to 600.40 in volume of 34m shares, against 27.1m.

Tanjong, the gaming group, gained 90 cents to M\$10.80 amid rumours that it may extend its local operations. Telekom Malaysia rose 30 cents to M\$11.60 on 1.7m shares.

SEIOL dipped slightly in the afternoon session, with buying from the Market Stabilisation

Fund preventing a steeper decline.

The composite stock index ended 0.83 off at 614.36 in turnover of Wm300.34bn.

BANGKOK was lifted by demand for property and finance stocks and the SET index closed 12.73 up at 808.49 in turnover of B\$1.75bn.

Krisda Mahanakhon, a property group, rose B\$2 to B\$225 and Bangkok Land gained B\$2 to B\$204.

BOMBAY fell for the second consecutive day, the BSE index closing 70.77 lower at 3,128.01.

AUSTRALIA eased afloat, the All Ordinaries index slipping 0.7 to 2,416.6 in turnover of A\$171.8m.

TNT lost 4 cents to A\$1.93, having announced earlier this week that it was to expand further in Europe through the acquisition of a French express carrier.

NEW ZEALAND remained lacklustre, with the NZSE-40 index closing 5.72 down at 1,448.66 in turnover of NZ\$22.13m. Carter Holt Harvey appreciated 4 cents to NZ\$2.32 while Telecom declined 1 cent to NZ\$2.35.

BUSINESS LAW

An end to double VAT taxation

By Dominic Taylor

Attempts to impose value-added tax on the private use of company cars could backfire on HM Customs and Excise and result instead in a reduction in the cost of car leasing.

As well as removing existing VAT charges to employees who pay for their cars, there would also be a benefit to businesses as diverse as hospitals and insurance companies.

Customs sees the benefit of private use as a service supplied by companies to their employees. The value of which VAT should be paid.

The ensuing dispute with the companies, however, could end in a fundamental change to the way the UK applies this European tax. Since the issue revolves around a case initially brought by a German individual against his local tax office, it also illustrates the extent to which the UK has already irrevocably ceded control of its taxation to superior and

the purchase of cars from the VAT which they must pay on rentals.

In the UK, VAT can only be deducted on the purchase of a new car for resale, not when it is used for leasing or in any other kind of business. This means that, contrary to the general system of VAT, when a car is leased, tax is paid to Customs twice.

In the German case, a Dr Kuhne successfully relied on the VAT principle that there can be no taxation without a corresponding deduction. The European Court of Justice supported him in his claim that he should not be taxed on his private use of the car since he had been unable to recover VAT when he acquired it.

In the UK, Customs and Excise have been busy in recent years ensuring that VAT is not deducted by exempt businesses, such as insurers, banks and hospitals, which are not allowed to do so because they do not have to charge VAT on their services.

This principle upheld by the ECJ for Dr Kuhne supports counter-argument by those businesses to remove double taxation arising from the insistence by Customs that VAT should be paid, for example, on the purchase of cars by groups of such companies.

It seems that Customs has not yet fully recognised that it is administering a European tax whose principles cannot be altered or omitted, and which was plainly demonstrated in the Kuhne decision.

The Kuhne case involved the private use of a vehicle for which the business owner made no actual charge to himself. The German authority therefore assumed a value for the deemed supply of the private use and assessed for tax accordingly.

This action was taken under a German national statute, corresponding to the European provision for taxation of private use of business assets, but with one essential difference - the European law does not charge for deemed use where the business, for whatever reason, has not been able to recover VAT on the asset purchase.

To appreciate the significance of the error it must be understood that at present the whole UK car leasing industry is taxed unfairly. Unlike any other taxable business, car lessors cannot deduct the VAT on

direct effect in Community countries. The European law simply overrides the effect of the local national statute in Germany.

Although the European principle has not been enshrined in UK national law, until recently Customs and Excise did not attempt to tax such private use of cars where no actual charge was made for the use.

However, that policy showed disturbing signs of change last year with the emergence of the so-called salary sacrifice issue. It became known that Customs was levying VAT on the difference in salary between those employees who opted for company cars and those who did not, on the basis that the supposed shortfall represented the value of the car to the employee.

This policy must have caused some minor embarrassment to the Treasury, whose fiscal policy seems in recent years to have been encouraging employees to swap cars for salary.

So far, in a case involving the Co-operative Insurance Society, the VAT Tribunal has decided this matter against Customs. However, Customs is able to appeal the matter to the higher courts. Although the case was decided on other grounds, the Tribunal noted that *prima facie* the UK VAT law was proved defective by reference to the Kuhne decision.

So how does this help car leasing and exempt businesses sharing assets, all of which, unlike Dr Kuhne, make an actual economic charge for the use of the asset?

The answer is that the principle is precisely the same, whether or not any charge is actually made. There can be no taxation without deduction and if deduction is blocked, taxation must not follow.

As might be expected of legislation which is complete and legally perfect, the relevant relief to be found in the same EC Sixth Directive on VAT invoked by Dr Kuhne, which dates from 1977.

Article 12 of the Directive deals with exemption from tax and exempts the supply of goods (which may include supply by way of lease) on which VAT has not been deducted. To leave no doubt as to its intention, the Article specifically includes those items on which VAT deduction has been blocked by national order, such as the UK block on cars.

It therefore seems clear that if asked to decide on the matter, the ECJ would conclude as it did in the Kuhne case that the exemption provision is complete and legally perfect so as to have direct effect in the UK.

Such a decision, given to a UK company, would radically change the taxation of UK car leasing and ease the burden of VAT administration for exempt businesses. It would mean either that car lessors no longer needed to charge VAT on rentals or that they should be given the right to deduct on their purchases of cars.

In either event, the cost of leasing would be reduced, and on cars purchased for the business, there would be no charges of VAT to employees, whether or not they paid for private use. In its wider application, hospitals and wholly exempt insurance groups, for instance, would no longer need to be concerned that the move

ment of assets might produce further charges of irrecoverable VAT.

It remains to be seen whether Customs will act to resolve the anomaly, or will resist such a change, on the grounds of fiscal cost. There is, however, more at stake than a slight drop in the tax take.

The harmonisation of VAT and the removal of European trade frontiers after 1992 is meant to ease administrative burdens and level the playing field for national competitors.

The Kuhne case, and other like it, have proved that the European VAT legislation works in practice and is truly self-sufficient. It would be a pity to find that UK businesses were disadvantaged in the single market by a national administration which, in failing to recognise this fact, continued to implement an incomplete form of VAT and penalised its own trading community.

The author is senior tax manager with City solicitors Ashurst Morris Crisp.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL STOCK MARKETS	TUESDAY MARCH 17 1992							MONDAY MARCH 16 1992							DOLLAR INDEX		
	US Dollar Index	Day's Change %	Point	Starting Index	YTD Index	Local Currency Index	Local % chg on day	Gross YTD Yield	US Dollar Index	Point	Starting Index	YTD Index	Local Currency Index	1992 High	1991 Low	Year ago (approx)	
Figures in parentheses show number of lines of stock																	
Australia (69)	142.12	+0.2	121.69	119.89	122.07	124.96	+0.4	4.2	142.44	123.10	120.60	121.34	125.45	120.31	112.74	135.16	
Austria (20)	174.48	+1.4	140.80	147.19	149.86	149.81	+0.7	1.93	172.03	148.67	145.66	148.98	146.51	122.37	135.85	139.21	
Belgium (46)	109.57	+0.7	119.50	117.73	119.87	117.20	-0.2	5.07	138.58	119.77	117.40	151.20	118.04	124.00	126.00		
Canada (119)	126.76	+0.0	110.26	108.81	110.58	111.61	-0.2	3.32	122.74	111.29	109.00	111.47	111.87	144.28	126.49	128.51	
Denmark (38)	253.96	+0.5	202.04	202.69	202.66	205.87	-0.3	1.79	224.85	202.97	198.98	202.98	206.43	272.94	274.71	248.29	
Finland (13)	78.82	-1.0	67.49	66.49	67.70	68.48	+1.7	2.14	78.82	67.49	66.49	67.70	68.48	67.49	66.49	67.70	
France (177)	120.96	+0.2	120.96	120.34	123.38	123.69	+0.3	3.29	120.96	120.34	123.38	123.69	120.96	120.34	123.38	123.69	
Germany (65)	116.43	+1.1	101.41	99.92	101.71	101.71	+0.2	2.24	117.10	101.26	99.23	101.47	101.47	125.35	94.15	114.14	
Hong Kong (55)	209.76	+0.3	176.81	178.94	180.17	208.54	-0.2	3.73	210.45	181.98	178.19	182.24	203.05	210.08	119.82	152.24	
Italy (106)	159.08	+0.39	136.21	134.19	136.83	136.83	+0.0	3.68	157.07	136.92	135.55	136.83	136.83	162.25	104.68	170.09	
Japan (77)	120.96	+0.2	120.96	120.34	123.38	123.69	+0.3	3.29	120.96	120.34	123.38	123.69	120.96	120.34	123.38	123.69	
Japan (33)	105.70	-0.2	90.51	88.16	90.19	89.16	-0.6	0.55	106.93	91.54	89.97	91.73	89.69	146.97	106.70	142.79	
Malaysia (56)	239.08	-0.5	204.71	201.67	205.33	236.71	+0.2	2.79	240.20	207.59	203.97	207.88	236.12	250.19	198.19	238.79	
Mexico (18)	151.32	-1.2	128.32	136.66	138.74	540.35	-0.3	1.25	163.37	141.43	139.74	147.14	147.17	768.77	534.45	705.85	
Netherlands (31)	160.38	+0.4	128.76	125.85	129.16	127.86	+0.6	0.93	163.49	128.76	125.85	129.16	127.86	160.38	125.85	129.16	
New Zealand (14)	105.70	-0.2	90.51	88.16	90.19	89.16	-0.6	0.55	106.93	91.54	89.97	91.73	89.69	146.97	106.70	142.79	
Norway (24)	167.82	+1.2	143.78	141.55	144.23	147.81	+0.3	1.73	165.91	143.38	140.48	143.68	147.33	223.24	157.08	201.17	
Singapore (33)	209.36	+1.3	179.27	176.67	179.81	158.57	+0.0	2.17	208.75	176.67	175.06	179.27	186.54	228.43	151.53	189.18	
South Africa (61)	203.32	+0.1	174.09	171.51	174.82	176.76	+0.1	2.36	203.32	174.09	171.51	174.82	176.76	203.32	174.09	171.51	
Spain (51)	153.35	+1.15	129.67	127.22	127.10	127.10	+0.3	4.94	152.28	129.67	127.22	127.10	127.10	153.35	129.67	127.22	
Sweden (24)	164.48	+1.3	157.96	155.62	158.45	161.59	+0.3	2.79	162.18	157.96	155.62	158.45	161.59	164.48	157.96	155.62	
Switzerland (59)	98.99	+2.2	84.42	83.17	84.69	91.41	+1.2	2.18	99.45	83.36	81.67	83.53	90.38	104.22	86.27	91.40	
United Kingdom (233)	172.43	+0.8	147.65	145.44	148.08	147.66	+0.8	5.05	186.43	146.43	143.65	146.43	146.43	187.46	136.07	175.42	
USA (52)	167.36	+0.8	143.30	141.18	143.74	167.35	+0.8	2.92	166.05	143.50	140.90	143.74	167.35	167.35	143.30	141.18	
Europe (808)	142.44	+1.4	121.96	120.16	122.34	122.85	+0.6	3.95	140.41	121.34	118.89	121.34	122.17	151.32	125.50	140.94	
Nordic (100)	173.74	+0.8	148.76	146.58	149.22	147.49	+0.0	2.21	172.88	148.76	146.58	149.22	147.49	173.74	148.76	146.58	
Spain (171)	123.47	+0.5	105.70	104.15	106.04	105.92	+0.2	2.21	122.80	105.70	104.15	106.04	105.92	123.47	105.70	104.15	
Europe (808)	142.44	+1.4	121.96	120.16	122.34	122.85	+0.6	3.95	140.41	121.34	118.89	121.34	122.17	151.32	125.50	140.94	
Europe Ex. UK (575)	123.86	+1.2	106.06	104.10	105.60	106.26	+0.4	2.94	123.86	106.06	104.10	105.60	106.26	123.86	106.06	104.10	
Pacific Ex. Japan (244)	157.14	-0.2	134.65	132.58	134.98	135.33	-0.2	3.84	157.14	134.65	132.58	134.98	135.33	157.14	134.65	132.58	
Japan (77)	120.96	+0.2	120.96	120.34	123.38	123.69	+0.3	3.29	120.96	120.34	123.38	123.69	120.96	120.34	123.38	123.69	
World Ex. UK (2005)	135.44	+0.5	116.97	114.26	116.34	124.24	+0.2	2.43	134.79	116.97	114.26	116.34	124.24	135.44	116.97	114.26	
World Ex. So. At. (2181)	138.27	+0.8	114.80	113.85	116.77	125.99	+0.3	2.70	137.41	114.80	113.85	116.77	125.99	138.27	114.80	113.85	
World Ex. Japan (7769)	157.33	+0.8	131.74	132.73	133.14	147.84	+0.6	3.32	155.90	133.74	132.73	133.14	147.84	157.33	131.74	132.73	